

# EXECUTIVE OFFICE OF THE GOVERNOR



## OFFICE OF THE CHIEF INSPECTOR GENERAL

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REVIEW OF THE  
DEPARTMENT OF ECONOMIC OPPORTUNITY  
FLORIDA CONNECT SYSTEM

CIG NUMBER: 202005040015

March 4, 2021

## Agency Executive Directors and Other Key Individuals

Agency for Workforce Innovation (AWI) and Department of Economic Opportunity (DEO)<sup>1</sup> Executive Directors and other key individuals relevant to the CONNECT project are listed below.

### AWI / DEO Executive Directors

Monesia Brown, January 2, 2007 to February 1, 2009  
Cynthia Lorenzo, February 2, 2009 to September 30, 2011  
Doug Darling, October 1, 2011 to January 31, 2012  
Cynthia Lorenzo, Interim, February 2, 2012 to April 15, 2012  
Hunting Deutsch, April 16, 2012 to December 16, 2012  
Darrick McGhee, Interim, December 17, 2012 to January 7, 2013  
Jesse Panuccio, January 8, 2013 to January 8, 2016  
Theresa “Cissy” Proctor, January 9, 2016 to January 8, 2018  
Ken Lawson, January 9, 2018 to August 31, 2020  
Dane Eagle, September 14, 2020 to Present

### Deloitte Consulting, LLP

John Hugill, Principal  
David Minkkinen, Project Director, March 2011 to May 2012  
Kevin McCarter, Project Director, May 2012 to May 2015

### Ernst & Young, LLP

Mike Shaklik, Principal

### The North Highland Company

Andy Loveland, Project Manager, 2009 to 2011  
Wayne Messina, Project Manager, 2011 to 2015

### KPMG, LLP

Dianna Suggs, Project Manager, 2010 to 2011  
Linda Fuchs, Project Manager, 2011 to 2012  
Nancy Snow, Communication Coordinator, 2012 -2014

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<sup>1</sup> Effective October 1, 2011, AWI was dissolved as part of a larger government reorganization legislated by Senate Bill 2156. As a result of the 2011 reorganization, Department of Economic Opportunity became the contracting agency responsible for the implementation of the UC Modernization project.

**ACRONYMS AND ABBREVIATIONS**

<b>Acronym or Abbreviation</b>	<b>Meaning</b>
AWI	Agency for Workforce Innovation
CAP	Corrective Action Plan
CIG	Office of the Chief Inspector General
COTS	Commercial off-the-shelf
DDI	Design, Development, and Implementation
DEO	Department of Economic Opportunity
DOR	Department of Revenue
ESC	Executive Steering Committee
F.S.	Florida Statutes
FACTS	Florida Accountability Contract Tracking System
IT	Information Technology
ITN	Invitation to Negotiate
IV&V	Independent Verification and Validation
IVR	Interactive Voice Response
MFMP	MyFloridaMarketPlace
PLT	Project Leadership Team
PMO	Project Management Office
RAAC	Reemployment Assistance Appeals Commission
RFI	Request for Information
RFP	Request for Proposal
RFQ	Request for Quote
SIDES	State Information Data Exchange System
TOP	Treasury Offset Program
UC <sup>2</sup>	Unemployment Compensation
uFACTS	Unemployment Framework for Automated Claims and Tax Services

<b>Abbreviation</b>	<b>Company Name</b>
Deloitte	Deloitte Consulting, LLP
EY	Ernst & Young, LLP
North Highland	The North Highland Company
KPMG	KPMG, LLP
ISF	Information Systems of Florida
Capgemini	Capgemini Government Solutions, LLC

<sup>2</sup> “UI” (Unemployment Insurance) is used interchangeably with “UC” (Unemployment Compensation) and “RA” (Reemployment Assistance) in this report.

## EXECUTIVE SUMMARY

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In 2020, as the COVID-19 pandemic unfolded, millions of Floridians were impacted by an unprecedented increase in unemployment. Hundreds of thousands of citizens attempted, without success, to access the Department of Economic Opportunity's Reemployment Assistance system called CONNECT.<sup>3</sup> In response to the CONNECT system's failure, Governor DeSantis requested additional resources of the Executive Agencies under his authority to assist DEO staff with processing payments to claimants.

On May 4, 2020, at the request of Governor DeSantis, the Office of the Chief Inspector General (CIG) initiated a review of the CONNECT system which was implemented in October 2013. The purpose of this review is to provide a historical analysis of project benchmarks, reported costs, contractual obligations, and other information as a result of the unprecedented spike in unemployment claims due to the COVID-19 pandemic which began to affect the State in March 2020.

The scope of our review considered available documentary and testimonial evidence about the CONNECT system for the period of 2007 to 2020. Our methodology included a review of available CONNECT project documentation,<sup>4</sup> including but not limited to: contracts, amendments, invoices, and vouchers; project management schedules, minutes, and other files; emails of key project staff; and post assessments and audit findings. We also interviewed key state employees and contracted individuals, as well as former Executive Directors from the Agency for Workforce Innovation (AWI) and the Department of Economic Opportunity (DEO).<sup>5</sup>

The Unemployment Compensation Modernization Project was initiated in 2007 to replace an aging legacy mainframe system. A 2009 Feasibility Study completed by the North Highland Company for AWI determined an investment totaling \$68.25 million was needed to modernize the system. The Feasibility Study provided three modernization options: 1) maintain the current system; 2) procure a custom system; or 3) procure a Commercial off-the-shelf (COTS) or state transfer system. The Feasibility Study recommended option three because:

*This option will also reduce overall project risks and ensure that the resulting application can be supported in the future. The additional costs, resources, complexities, and risks associated with either doing nothing or developing a new system from scratch are prohibitive.*

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<sup>3</sup> The name "CONNECT" was adopted in an April 13, 2011 Executive Steering Committee meeting. Throughout this report, and in the source documents reviewed, the Unemployment Compensation Claims and Benefits Information System is referred to as "CONNECT," "Project CONNECT," "CONNECT project" and as the "CONNECT System." In 2012, the Florida Legislature renamed the UC program to "Reemployment Assistance Claims and Benefits Information System."

<sup>4</sup> Approximately 33,000 documents.

<sup>5</sup> Effective October 1, 2011, AWI was dissolved as part of a larger government reorganization legislated by Senate Bill 2156. As a result of the 2011 reorganization, Department of Economic Opportunity became the contracting agency responsible for the implementation of the UC Modernization project.

The Feasibility Study recommended the CONNECT project follow a three-phase plan, which included: Phase 1 – Strategic Planning; Phase 2 – Requirements Definition and Procurement Support; and Phase 3 – Design, Development, and Implementation (DDI).

On May 14, 2010, AWI released an Invitation to Negotiate (ITN), numbered 10-ITN-001-SS, which stated, “AWI has embarked on a re-engineering and modernization effort for its current Claims and Benefits system and processes. The UC Modernization effort consists of three phases, this ITN covers the services needed for Phase 3.” On March 7, 2011, AWI signed a contract with Deloitte Consulting, LLP (Deloitte) to design, develop, and implement the CONNECT system for an original contract amount of \$39,843,769. The contract also allowed three optional one-year Operations and Maintenance Performance Periods for \$4,801,023 per year, totaling \$14,403,068. The full original contract total for the DDI and Operations and Maintenance Performance Periods was \$54,246,837.

Early in the design and development phases, the project experienced delays resulting in DEO issuing a Notice of Intent to Terminate the contract for cause to Deloitte on June 15, 2012. The Notice of Intent was withdrawn with the execution of Amendment 7 on July 16, 2012, which included the assessment of \$1,965,000 in liquidated damages and a 10-month time extension.

At Go-Live,<sup>6</sup> on October 15, 2013, the CONNECT system immediately experienced numerous issues. This led to a delay in the approval of the final DDI Performance Period. On February 28, 2014, DEO approved Deloitte’s completion of the DDI Performance Period. Due to the delay of the DDI Performance Period approval, there was an overlap of the Warranty Performance Period, which began on November 21, 2013. The CONNECT system was accepted<sup>7</sup> by DEO at the end of the Warranty Performance Period on November 20, 2014. At this point, the Operations and Maintenance Performance Period began, which ended May 22, 2015, concluding the contract between DEO and Deloitte. After May 2015, the system was maintained by DEO Information Technology staff, supplemented by staff augmentation positions.

Although Deloitte was the primary contracted entity responsible for the solution implementation, twelve other companies had significant roles and responsibilities. These firms included: Ernst & Young, LLP (EY), which served as the Independent Verification and Validation contractor; KPMG, which provided Project Management Office (PMO) services; and North Highland, which had roles in all three phases of the project including completing the Feasibility Study and serving as the Organizational Change Management consultant for the project. Other entities such as Strategic IT and Information Systems of Florida (ISF) provided staff augmentation to DEO. Brief descriptions<sup>8</sup> of each company’s role are on pages 10 - 18.

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<sup>6</sup> The date the CONNECT system was placed into production and made available for public use.

<sup>7</sup> By accepting the system, DEO became responsible for payment of defect repairs and system modifications.

<sup>8</sup> These descriptions are not intended to be all inclusive; however, to provide the reader an understanding of some of the primary roles and responsibilities for each contracted entity.



For the period of 2009 to 2015, the total contracted services for CONNECT, including payments for hardware and software, totaled \$81,654,189. Due to approved change requests, this total amount was \$13.4 million more than forecasted by the Feasibility Study.

In response to the unprecedented spike in unemployment claims in March 2020, numerous actions were taken by DEO and former Department of Management Services Secretary Jonathan Satter, at Governor DeSantis' request, to resolve the CONNECT system's inability to process claims. In April 2020, DEO began distributing paper unemployment application forms and additional state personnel and resources were brought in to input information from the paper forms into an on-line web portal repository application. As of January 29, 2021, the DEO has processed and paid 97.8% of the total eligible claims.

Based on our review, we made the following significant observations:

1. We determined that the requirements for system capacity, as outlined in the 2010 ITN, were never fully tested nor documented. The contract mandated system capacity for a minimum of 200,000 concurrent external users. We could not find evidence where DEO enforced this contract requirement. Deloitte's stress testing documentation shows testing was for approximately 4,200 concurrent users (internal and external.) By not meeting contractual capacities, the CONNECT system was poorly positioned to handle the unprecedented claims volume beginning in March/April 2020.
2. We determined Deloitte's uFACTS solution was not the fully mature transferable .NET<sup>9</sup> solution as outlined in Deloitte's ITN proposal. The uFACTS framework was a product that required greater customization than foreseen by system stakeholders.
3. We determined Deloitte's staffing on the CONNECT Project was delayed and over extended due to implementations of uFACTS in other states. Due to these staffing issues, as well as the issues described in Issue 2, implementation in Florida was delayed.
4. We determined the Independent Verification & Validation Services (IV&V), as established by DEO for this project, provided by EY, were neither fully independent nor adequately rigorous. In addition, we determined IV&V oversight responsibilities were reduced by DEO mid-contract including scope of services and the frequency in oversight reporting prior to Go-Live. As discussed later in this report, on November 25, 2015, DEO and EY executed a dispute of services Settlement Agreement where EY agreed to pay DEO \$500,000.

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<sup>9</sup> .NET Framework is a software development platform for building and running applications on Windows.

5. We determined Deloitte’s project documentation indicated the number of known fatal and severe system defects at Go-Live were greater than allowed in the contract and amendments.
6. We determined the post Go-Live CONNECT system was still hampered with issues reflected in the subsequent code review and external audits. The code review performed during the Warranty Performance Period identified 51 total key findings, 25 risks and issues, and 37 recommendations. The State of Florida Auditor General issued three operational and performance audits of the CONNECT system, between 2015 and 2019. The 2015 report identified 31 findings, over half of which were still unresolved as of the 2019 report. A fourth operational audit completed in 2021 and not yet finalized, identifies 14 issues still outstanding.

DRAFT

## RECOMMENDATIONS

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The Florida Digital Service (FDS) was established in 2020 under the leadership of Governor DeSantis and the Florida Legislature to better leverage technology and support a data-driven government with a customer focus.<sup>10</sup> FDS objectives include cyber-security, cloud-ready architecture, data interoperability, and agile methodologies which would help ensure successful outcomes of large-scale Information Technology projects. Additionally, after the start of the CONNECT project, the Department of Management Services (DMS) developed a State Term Contract solely for Independent Verification & Validation (IV&V) services. Previously, IV&V was an optional service procured under Information Technology Consulting State Term Contracts.

Based on our review, we offer the following recommendations:

### **Agencies should know what they want**

- Fully document future IT system capacity requirements and expected utilization in system testing plans and test results.
- Assess the proposed level of maturity of any state transfer or Commercial off-the-shelf system relied upon for risk and properly document the risk during contract negotiations with the selected contractor.

### **Agencies should better monitor what they are getting from the vendor and build in an escape plan and financial penalties for noncompliance**

- Ensure that a detailed contractor staffing schedule is submitted by the vendor with the ITN proposal and updated prior to contract execution.
- Ensure an independent code review is performed, scored, and reviewed throughout the lifecycle of the project. Establish a minimum code review score that must be met prior to Go-live and final acceptance of the project.
- Strengthen contract language to include financial penalties for noncompliance with contract provisions and schedules.

### **IV&V should be independent and rigorous**

- Ensure the IV&V vendor is independent of the project management team and reports to the appropriate executive management level within the agency or to an external oversight body.

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<sup>10</sup> Effective July 1, 2020 Senate Bill 1870 – Technology Innovation. Established Florida Digital Service within the Department of Management Services.



- Consider the transfer of the management of IV&V services from individual state agencies to FDS.

### **Project Management should be flat and agile**

- Ensure that governance structures for large IT projects are established to empower the Project Director to approve contract time and change order requests up to a designated threshold to reduce delays to the project.
- Streamline overlapping responsibilities of multiple project committees.
- Properly resource IT projects with internal and external dedicated Subject Matter Experts prior to contract execution.
- Consider more modular IT projects to accommodate future and rapid technological changes and shorter system lifecycles. The speed at which technology increases, which leads to systems being outdated much faster. The State should not expect a system to last as long as the legacy system, which was for 40+ years in this case.

### **Administrative and physical infrastructure needs to be strengthened**

- The Agency Head and CIO should implement an effective process to track, review, report, and resolve internal and external IT audit related findings.
- Review and update the System Disaster Preparedness Plan to incorporate lessons learned from the COVID-19 pandemic.
- Consider moving the future CONNECT system to the Cloud to allow for greater scalability.

Additional context regarding these recommendations is offered in the following report.

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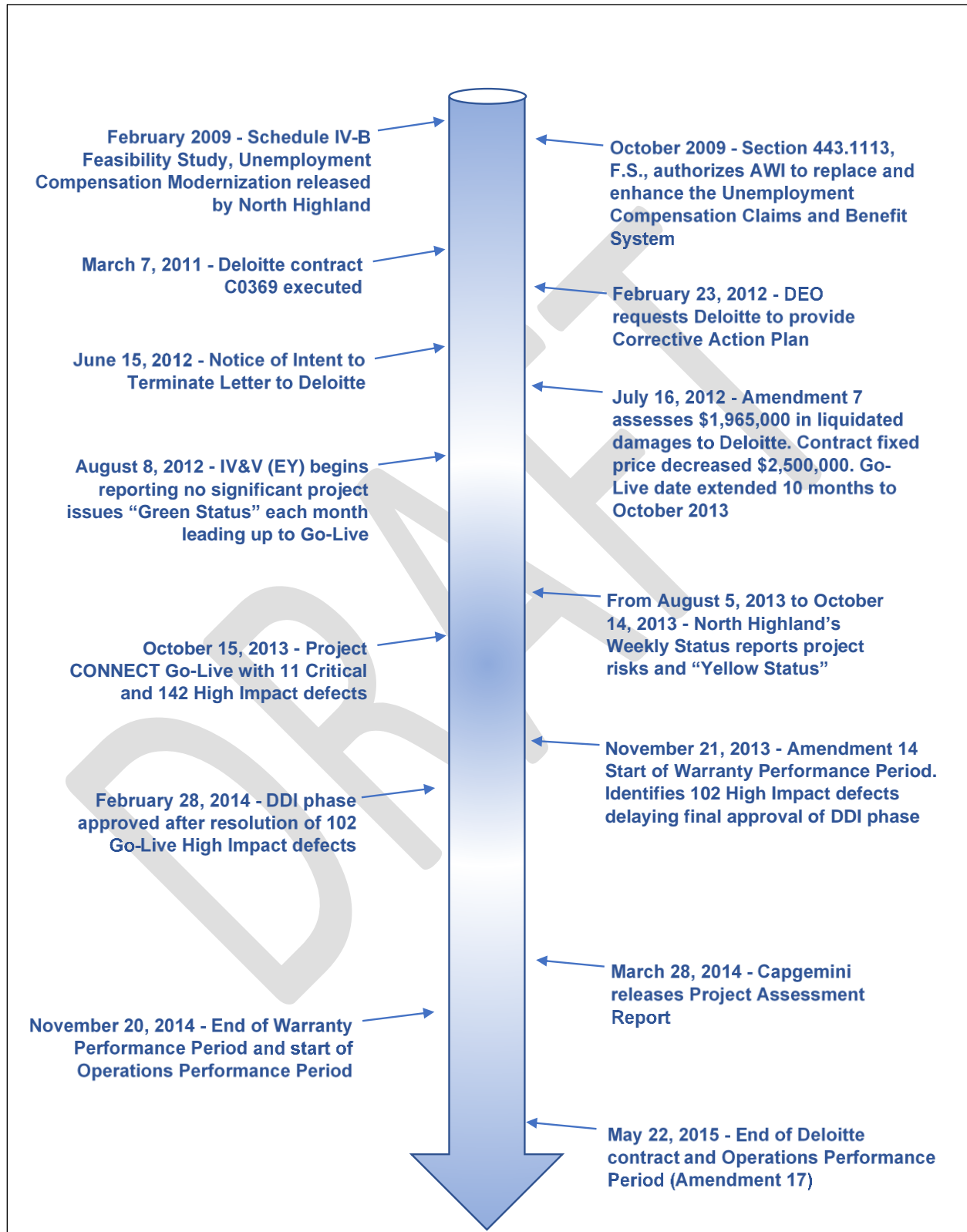
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**Individuals Interviewed**

Individual	Position	Employment Dates
<b>Agency for Workforce Innovation / Department of Economic Opportunity</b>		
James Evers	Executive Steering Committee Member DEO OPS Consultant	July 2009 - May 2012 June 2013 - Current
Brittainy Connell	Reemployment Assistance IT Service Manager	January 2005 - Current
Cynthia Lorenzo	Former Executive Director Former Interim Executive Director	February 2009 - September 2011 February 2012 - April 2012
Doug Darling	Former Executive Director	October 2011 - January 2012
Tom McCullion	Former CONNECT Project Director	September 2009 - April 2014
Bahram Samani	Former CONNECT Project Technical Manager/System Architect	July 2010 - March 2014
James Landsberg	DEO Inspector General	Current
Ed Wynn	DEO Chief Information Officer	Current
<b>Department of Management Services</b>		
Jonathan Satter	Former Secretary	January 2019 - February 2021
<b>Ernst &amp; Young, LLP</b>		
Ken Thomas	Florida Government & Public Sector Leader	Current
Mike Shaklik	Principal	February 2010 - October 2013
<b>The North Highland Company</b>		
Wayne Messina	Project Manager	December 2009 - February 2014
<b>Information Systems of Florida, Inc.</b>		
Kim Wiley	Chief Projects Officer	Current
<b>KLC Consulting, Inc.</b>		
Tanya Jackson	Vendor Relationship Manager	January 2010 - October 2013
<b>Global Information Systems, Inc.</b>		
Omer Shah	President	Current
<b>Deloitte Consulting, LLP</b>		
John Hugill	Principal	Current
Jim Thomson	Principal	Current

**Key CONNECT Project Events Timeline – February 2009 to May 2015**



Source: Developed from source documents

## Florida's Unemployment Compensation System

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### Unemployment Compensation Program

Florida's Unemployment Compensation (UC) Program was created by the Florida Legislature in 1937. The purpose of the UC Program is to provide benefits for eligible individuals who become unemployed through no fault of their own. The system is a federal-state partnership where the U.S. Department of Labor (USDOL) provides grants to states to help administer the program. States have some flexibility in areas such as benefit eligibility requirements, the amount and duration of benefits, and the state tax structure, as long as state law does not conflict with federal law.

### Legacy System and 2009 Feasibility Study

Modernization of the UC system was initiated to replace an aging legacy mainframe system, implemented in 1972, that utilized COBOL<sup>11</sup> programming language. Discussions regarding the modification or replacement of the legacy system were taking place prior to the recession of 2007-2009.

Effective July 1, 2007, the Florida Legislature funded a Schedule IV-B Feasibility Study<sup>12</sup> to assess the current system and explore modernization options. The former Agency for Workforce Innovation (AWI)<sup>13</sup> released a Schedule IV-B Feasibility Study for the Unemployment Compensation Modernization, in February 2009, using The North Highland Company (North Highland) and a team of contributors from AWI (Phase 1).

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<sup>11</sup> COBOL, in full "Common Business-Oriented Language. A high-level computer programming language, one of the first widely used languages and for many years the most popular language in the business community. It developed from the 1959 Conference on Data Systems Languages, a joint initiative between the U.S. government and the private sector," <https://www.britannica.com/technology/COBOL>.

<sup>12</sup> Per Senate Bill 2800, page 302, proviso language, effective July 1, 2007, stated "At a minimum, the Feasibility Study shall include a business case describing strategic needs, and major assumptions, constraints and expected outcomes related to this initiative; a realistic cost-benefit analysis indicating initial and long term investment requirements; planning components addressing major functional and technical requirements; identification of proposed technical solutions, analysis of the alternatives for replacing or re-engineering the unemployment compensation system, and a project timeline for completion of each major system component and associated project expenditures. The study shall also analyze the SunTax system at the Department of Revenue to determine whether it can be used to provide required unemployment compensation system functionality and identify any specific modifications that are required to enable SunTax to meet unemployment compensation system requirements. The agency shall submit the Feasibility Study to the Executive Office of the Governor, the chair of the Senate Fiscal Policy and Calendar Committee, and the chairs of the House Policy and Budget Council and the House Economic Expansion and Infrastructure by January 31, 2008."

<sup>13</sup> Effective October 1, 2011, AWI was dissolved as part of a larger government reorganization legislated by Senate Bill 2156. As a result of the 2011 reorganization, DEO became the contracting agency responsible for the implementation of the UC Modernization project.

The Executive Summary section of the Feasibility Study concluded:

*Due to the technological limitations of the UC system, AWI has had no choice but to design new business processes around the capabilities of the current system. This has resulted in more time and resources spent on activities that should be automated, like claims intake, instead of activities that can help get claimants back to work sooner and shorten the duration of their claims. As demands on the UC program continue to grow the current system will continue to exacerbate these problems. The analysis conducted during this Feasibility Study determined that a new system would increase operating efficiencies and reduce operating costs. It will allow AWI staff to focus on delivery of UC program services and getting folks back to work, ultimately reaping a benefit of \$43.1 million dollars each year.*

The 2009 Feasibility Study also concluded an investment totaling \$68.25 million was needed to modernize the system. This document found that eight states in the nation had completed an unemployment insurance benefits program modernization in the last five years; 22 states were in progress; 10 states were in planning including Florida; and 10 states had no plans to modernize. The Feasibility Study recommended replacing the aging mainframe application with a modern application that supported the following:

- Claims and Adjudication;
- Customer Information Requests;
- Benefit Operations;
- Benefit Payment Control;
- Appeals; and,
- Quality Improvement and Federal Reporting.

The Feasibility Study's cost-benefit analysis reported two primary benefits of replacing the aging legacy system: first, improved efficiencies in business processes; and second, reduction in overpayments. Section 3.4 Cost Benefit Analysis Details states, in part:

*Given the extreme stress on the UC system that is projected to continue for an extended period, both the rate and actual dollar amount of overpayments could rise considerably. Simply applying the FY 2007-08 overpayment rate of 3.1% to the projected \$3.4 billion (assuming the rate of claims received through 10/31/08) in benefits to be paid in FY 2008-09 produces overpayments exceeding \$105 million. Striving to reduce overpayments is one important goal of UC Modernization projects that utilize state-of-the-art technology to reduce errors and detect fraud earlier in the claim payment life cycle.*

Section 5.4 of the Feasibility Study evaluated three modernization options. The first alternative was to **maintain the current system**, which was **not recommended** for the following reasons.



*Legacy systems must rely on a shrinking pool of practitioners for operation and maintenance. Alternative 1 would be the least costly option in the short term. However, there is a cost for maintaining “status quo” from a functionality standpoint. Of real importance is the potential risk of failure and the fact that doing business “as usual” eliminates the opportunity to realize tangible cost savings that represent \$43.1 million each year. The costs to keep the system viable, the costs associated with maintaining an aging system, the costs associated with attracting and retaining trained development personnel, and the lost opportunity to realize significant cost savings make Alternative 1 an undesirable option for the long term.*

The second alternative was to **procure a custom system**, which was **not recommended** for the following reasons.

*Custom development can be designed to meet specific needs but is typically a more difficult project with a higher risk level and longer implementation times. The design phase alone can take an inordinate amount of effort with the output of this phase [being] documentation only (no working product).*

*Custom development also assumes a large commitment of internal resources (Subject Matter Experts) for design sessions and design validation. Often these are also the key operational resources for ongoing UI [Unemployment Insurance] business making their scheduling and availability difficult. Custom development is typically the most costly approach and the most difficult to accurately estimate a budget. There are more variables to be considered and even the most experienced vendors will adjust their cost/schedule estimates to allow for delays.*

*Overall, custom development projects have the highest risk of project failure and require strong project and risk management planning. Custom development should be selected when there are no acceptable COTS [Commercial off-the-shelf] or transferable products available and preferably should be developed and implemented in smaller more manageable component projects.*

The third alternative was to **procure a COTS or State Transfer system**. In section 5.4.4., this alternative was **recommended** for the following reasons:

*This option will also reduce overall project risks and ensure that the resulting application can be supported in the future. The additional costs, resources, complexities, and risks associated with either doing nothing or developing a new system from scratch are prohibitive.*

*Additional advantages of a COTS/State Transfer approach:*

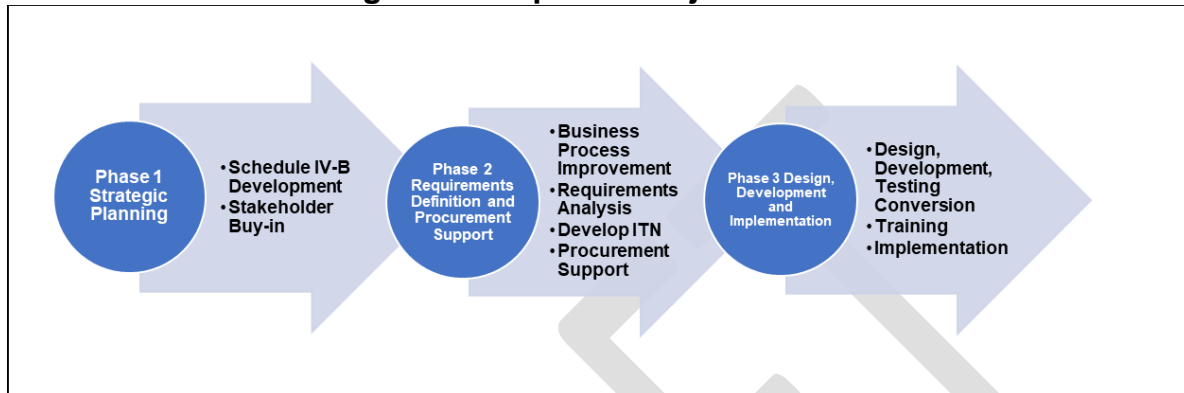
- *A COTS solution provides a configurable application and data architecture that provides the most flexibility in meeting complex rules/requirements, and flexibility to change as conditions/rules change.*
- *A COTS solution offers numerous tools and interfacing capabilities not currently in place to enhance Agency performance and compliance such as workflow, scripting, help capabilities, quality/integrity maintenance tools, complex reporting tools, etc.*
- *A COTS solution will require a larger initial investment to implement than the status quo. The savings in process efficiencies, ongoing maintenance costs, the availability of tools and resources to maintain the system and improvement in data quality will bring significant value to the Department.*
- *Many COTS solutions have a built-in analytical reporting capability. This could have a significant improvement on the method and frequency of reporting to the State. It would also serve the needs of other agencies that may need to be able to receive reports from the UC system in the future.*
- *The “core code” of the COTS solution can be customized by the vendor to close any gaps with the current capabilities of the UC system.*
- *A COTS solution provides for a shorter implementation timeframe and less risk of cost or schedule overruns than a custom development alternative.*
- *Pre-built COTS components such as workflow, scripting, and standard interfaces reduce development, support, and system integration efforts versus custom development alternative.*
- *A modern COTS solution greatly reduces the risk of technical obsolescence that exists in the legacy UC system today.*
- *A custom development or COTS/State Transfer solution will achieve a majority of the AWI objectives from a functional perspective. Both solutions directly support elimination or reduction of the dependence on paper.*

In summary, the modernization alternatives analysis published in the 2009 Feasibility Study resulted in a recommendation to replace the legacy mainframe system with a State Transfer system from another state or a COTS application with the expectation that customization would be necessary.

## Planned Phased Approach

The 2009 Feasibility Study developed for the UC Modernization project recommended undertaking the transition in a “multi-phased plan” to replace the legacy UC system. (See Figure 1.)

**Figure 1: Proposed Project Phases**



Source: 2009 Feasibility Study

**Phase 1:** Strategic Planning, planned for 12 months, included the development of the Feasibility Study and the associated legislative budget request as well as the development of the procurement method for Phase 2.

**Phase 2:** Requirements Definition and Procurement Support, planned for 12 months, included the documentation/development of the:

- Current UC business processes and reengineering;
- Functional and technical requirements;
- Evaluation of solutions meeting business requirements; and,
- Procurement support and Invitation to Negotiate evaluation.

**Phase 3:** Design, Development, and Implementation, planned for 30 months, included the following activities:

- The Analysis phase included validation of the system requirements collected during previous business process improvement and requirements gathering efforts;
- The Design phase included Joint Application Design sessions with end users, functional and technical design documentation, and user interface prototyping;
- The Build phase included application configuration and system development, database development, data conversion, data migration, data warehouse development, unit testing, creation of help screens and development of an online user tutorial;

- The Test phase included the creation of a test plan and test cases, and the performance of integration testing, system testing, user acceptance testing, and regression testing;
- The Deployment phase included implementation planning and the deployment of the new system to a production environment; and,
- The Operations phase included ensuring the necessary equipment, staff, and procedures were in place to meet the needs of end users and ensure that the system would continue to perform as specified.

## Procurement Process (Phase II)

### Request for Information

On October 16, 2009, AWI issued a Request for Information (RFI), numbered 10-RFI-001-SS. The RFI stated:

*AWI desires to procure the services of a Contractor with experience in Unemployment Compensation systems to select and implement an enhanced Unemployment Compensation Claims and Benefits Information System. The system will replace the antiquated systems currently supporting the UC program with an integrated, adaptable, and scalable web-enabled information system that will support the entire UC program and its customers well into the future by:*

- *Automating manual, paper-based processes to increase workflow efficiencies and reduce operational costs;*
- *Providing direct claimant interface through a fully integrated web-enabled interface, scalable Interactive Voice Response (IVR) interface, and adaptable for future client touch-points;*
- *Facilitating improved communication within AWI as well as between AWI, its consumers and employers;*
- *Providing AWI staff with timely access to information necessary for performance measurement and quality management;*
- *Providing better access to data through searching and reporting capability; and,*
- *Accomplishing the business objectives outlined in section 443.1113(2), Florida Statutes.*

AWI received responses to the RFI from ten firms: Accenture, Capgemini Government Solutions LLP, Cúram Software, Deloitte Consulting, LLP (Deloitte), First Data Response, IBM Global Business Services, On Point Response, Oracle, Tata Consultancy Services, and Unisys.

Invitation to Negotiate

On May 14, 2010, AWI released the Invitation to Negotiate (ITN), numbered 10-ITN-001-SS, inviting interested and qualified firms to submit responses by July 16, 2010. The ITN noted “AWI has embarked on a re-engineering and modernization effort for its current Claims and Benefits system and processes. The UC Modernization effort consists of three phases, this ITN covers the services needed for Phase 3.”

AWI received responses to the ITN from nine firms: Accenture, Deloitte, Capgemini Government Solutions LLP, Geographic Solutions, Inc., HCL of America, Inc., IBM Global Business Services, Tata Consultancy Services, Wipro, Inc., and Yang Enterprises, Inc.

The 19-member selection committee voted unanimously to advance the maximum number of respondents, which was four. The respondents that were moved to the next round were Deloitte, Accenture, IBM Global Business Services, and Tata Consultancy Services. On October 8, 2010, the committee voted unanimously to only advance Accenture and Deloitte into the negotiating phase of the procurement. On November 12, 2010, based on the recommendation of the lead AWI negotiator, Tom McCullion, the committee voted unanimously to advance Deloitte. On February 9, 2011, the selection committee recommended the UC system project to be awarded to Deloitte. On March 7, 2011, AWI signed Contract C0369 with Deloitte to Design, Develop, and Implement (DDI) the CONNECT system for an amount of \$39,843,769. The contract also allowed three optional one-year Operations and Maintenance Performance periods for \$4,801,023 per year, totaling \$14,403,068. The full original contract total for the DDI and Operations and Maintenance Performance periods was \$54,246,837. (See Figure 2)

**Figure 2: Negotiated Contract Pricing**

Deloitte Consulting LLP Negotiated Contract Pricing Contract Executed March 7, 2011	
<b><u>DDI Performance Period</u></b>	
Services	\$ 23,292,593
Maintenance and Operations	1,719,276
COTS Software and Maintenance	9,844,761
COTS Hardware and Maintenance	2,543,608
Total	<u>\$ 37,400,238</u>
<b><u>Warranty Performance Period</u></b>	
Maintenance and Operations	\$ 2,443,531
Total Contract	<u>\$ 39,843,769</u>
<b><u>Operations Performance Period*</u></b>	
Maintenance and Operations	\$ 7,250,750
COTS Software and Hardware Maintenance	7,152,318
Total	<u>\$ 14,403,068</u>
<b><u>DDI, Warranty, and Operations Periods</u></b>	
Grand Total	<u>\$ 54,246,837</u>
*Three optional one-year Operations Performance Periods executable at the Agency's request	

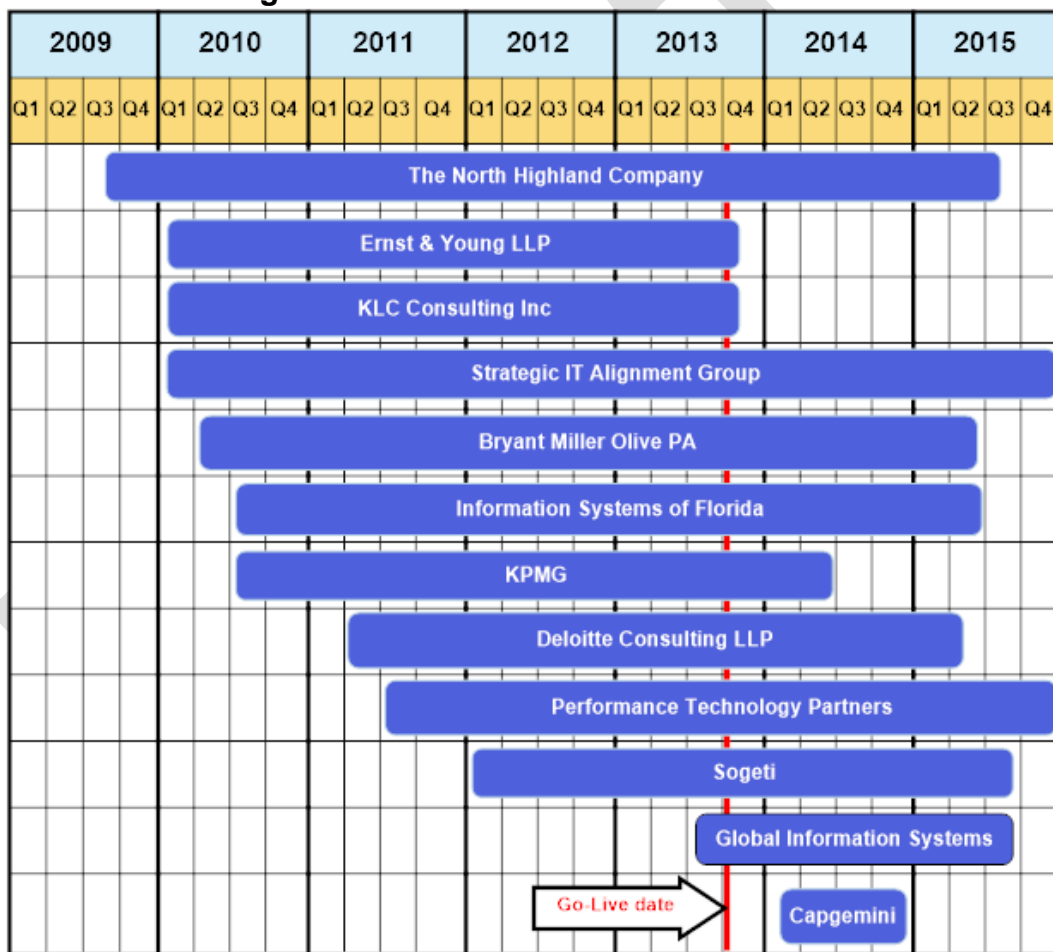
Source: AWI Executed Contract C0369

**Contracting Entities**

**Department of Economic Opportunity (DEO)**

The initiation of the Unemployment Compensation (UC) Modernization project began under AWI. Effective October 1, 2011, AWI was dissolved as part of a larger government reorganization legislated by Senate Bill 2156 (2011). As a result of the 2011 reorganization, DEO became the contracting agency responsible for the implementation of the UC Modernization project. Thirteen contracted entities were identified with roles on the CONNECT system from 2009 to 2015. Figure 3 provides a simplified chronological timeline of the dates of service for all but one of the companies contracted.<sup>14</sup>

**Figure 3: Timeline of Contracted Entities**



Source: DEO project files, MFMP, FACTS

Although Deloitte was the primary contracted entity responsible for the solution implementation, twelve other companies had significant roles and responsibilities. These

<sup>14</sup> The key entities listed are those relevant for Phase 2 and Phase 3 of the CONNECT project. Not listed in the chart is Languages Unlimited, LLC., which was contracted for only a three-month period in 2013.



firms included: EY, which served as the Independent Verification and Validation contractor; KPMG, which provided Project Management Office (PMO) services; and North Highland, which had roles in all three phases of the project including completing the Feasibility Study and serving as the Organizational Change Management consultant for the project. Other entities such as Strategic IT and Information Systems of Florida (ISF) provided staff augmentation to DEO. Brief descriptions<sup>15</sup> of each company’s role are provided below.

**Deloitte Consulting, LLP (Deloitte)<sup>16</sup>**

Deloitte served as the Systems Integrator and provided the DDI services for the CONNECT project. Deloitte proposed their Unemployment Framework for Automated Claims and Tax Services (uFACTS) software, which was the basis of the CONNECT system. As reported above in the Procurement section, Contract C0369 was executed March 7, 2011. Figure 4 provides a summary schedule of the original contract and subsequent amendments with associated budget amounts.

**Figure 4: Deloitte Contract and Amendments**

Deloitte Consulting LLP Contract and Amendments March 7, 2011 to May 22, 2015			
Date	Contract or Amendment	Net Amount Changed	Budgeted Contract Amount
7-Mar-11	Executed Contract	\$ -	\$ 39,843,769
7-Mar-11	Amendment 1	605,751	40,449,520
10-Jun-11	Amendment 2	229,222	40,678,742
15-Sep-11	Amendment 3	(4,572,372)	36,106,370
26-Oct-11	Amendment 4	(100,959)	36,005,411
10-Nov-11	Amendment 5	1,634,008	37,639,419
7-Dec-11	Amendment 6	709,579	38,348,998
16-Jul-12	Amendment 7	(2,518,228)	35,830,770
4-Jan-13	Amendment 8	610,519	36,441,289
19-Feb-13	Amendment 9	366,454	36,807,743
6-Jun-13	Amendment 10	2,803,694	39,611,437
24-Jul-13	Amendment 11	1,402,275	41,013,712
10-Sep-13	Amendment 12	5,460,740	46,474,452
11-Oct-13	Amendment 13	155,887	46,630,339
21-Nov-13	Amendment 14	(1,000,000)	45,630,339
6-Jun-14	Amendment 15	(830,499)	44,799,840
20-Nov-14	Amendment 16	2,350,002	47,149,842
22-May-15	Amendment 17	\$ (358,384)	\$ 46,791,458

Source: AWI Executed contract C0369 with amendments (Deloitte)

<sup>15</sup> These descriptions are not intended to be all inclusive; however, to provide the reader an understanding of some of the primary roles and responsibilities for each contracted entity.

<sup>16</sup> Contract period March 7, 2011 to May 22, 2015.

The Deloitte contract was amended 17 times increasing the total budgeted contract amount from \$39,843,769 to \$46,791,458, or an increase of \$6,947,689 (17.4%). Amendment 16 was executed to establish the first 6-month Operations Performance Period. Total amounts paid directly to Deloitte for DDI services and Operations Performance period were \$46,471,963.<sup>17</sup>

**Amendment 1:** Executed March 7, 2011, added Key Performance Indicator (KPI) requirements to contract under DDI services. The total cost of the KPI's was \$2,795,111 but was partially offset by reducing other DDI services by \$2,189,360 resulting in a net increase to the contract amount of \$605,751.

**Amendment 2:** Executed June 10, 2011, added Genesys Lab software and hardware for the IVR system increasing the contract amount by \$229,222.

**Amendment 3:** Executed September 15, 2011, reduced the contract amount by \$4,572,372 due to a discount for Oracle licensing and deletion of software not required as part of the solution.

**Amendment 4:** Executed October 26, 2011, modified the KPI metrics added in Amendment 1, reducing the contract amount by \$100,959.

**Amendment 5:** Executed November 10, 2011, added requirements to integrate the U.S. Department of the Treasury's Treasury Offset Program<sup>18</sup> (TOP), increasing the contract amount by \$1,634,008.

**Amendment 6:** Executed December 7, 2011, added requirements to allow participation in the U.S. Department of Labor's State Information Data Exchange System (SIDES) program,<sup>19</sup> increasing the contract amount by \$709,579.

**Amendment 7:** Executed July 16, 2012, reduced the contract by a net amount of \$2,518,228. The amendment was based upon negotiated terms and DEO's withdrawal of their Notice of Intent to Terminate, dated June 15, 2012. The amendment terms included:

- A \$248,000 credit for reduced requirements for the IVR system as a result of HB 7005 legislation;

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<sup>17</sup> See CONNECT Project Cost section for a breakdown of the total project costs and payments to Deloitte.

<sup>18</sup> The Treasury Offset Program is a debt matching and payment offset system developed by the U.S. Department of the Treasury. TOP works by matching a database of delinquent debts owed to various government agencies against payments made by the Federal government. When a delinquent debtor record is matched to a payment begin issued, the payment is intercepted and offset by all or part of the debt. TOP has been expanded to include all unemployment compensation overpayment due to fraud or misreported/under reported earnings refund and applied to the debt. While participation in TOP is not required by the Treasury, implementing the program was expected to significantly increase the Agency's overpayment recovery.

<sup>19</sup> State Information Data Exchange System (SIDES) allows states and employers or their representatives to exchange data electronically through a secure, encrypted transport.

- A negotiated reduction amount of \$2,500,000 in the total contract price for DDI services;
- A negotiated reduction amount of \$1,965,000 in liquidated damages;
- A reduction in the scope of work for previously approved TOP change request in Amendment 5 from \$1,634,008 to \$438,355, or a decrease of \$1,195,643 by keeping the design services but deleting work for development, implementation, and operations and maintenance;
- A cancellation of the SIDES change request previously approved in Amendment 6, reducing the contract amount by \$709,579;
- An addition of 27 other change requests for a negotiated \$4,100,000 fixed amount; and,
- An extension of contract time for the completion of the DDI phase from November 30, 2012 to October 28, 2013.

**Amendment 8:** Executed January 4, 2013, increased the contract by a net amount of \$610,519 for 12 change requests. Amendment 8 included a change request<sup>20</sup> for Reemployment Assistance TOP Implementation Coordination increasing the contract by \$477,711. In the change request documentation, it states:

- Because Department will be developing the TOP system in CONNECT and Deloitte will be developing the CONNECT system there will be integration points that will require the two teams to work together.

**Amendment 9:** Executed February 19, 2013, increased the contract by a net amount of \$2,803,694 for three change requests. This amendment included:

- A change request for SIDES program design services which was previously added in Amendment 5 and cancelled in Amendment 7; and,
- A change request for Reemployment Assistance Appeals Commission<sup>21</sup> (RAAC) design services to integrate CONNECT.
- Retired a Department of Revenue interface.

**Amendment 10:** Executed June 6, 2013, had a net amount increase of \$2,803,694. The amendment included:

- 11 change requests adding and deleting scope of work totaling \$873,726; and,
- Two change requests totaling \$1,929,968 for a RAAC Bridge to the legacy system if RAAC development is not implemented by Go-Live;<sup>22</sup> and RAAC development for the CONNECT system.

<sup>20</sup> Number 155.

<sup>21</sup> Formerly known as Unemployment Appeals Commission.

<sup>22</sup> The date the CONNECT system was placed into production and made available for public use.

**Amendment 11:** Executed July 24, 2013, increased the contract by a net amount of \$1,402,275. The amendment included:

- A change request of \$357,715 for Microsoft Word integration with RAAC development added in Amendment 10;
- A change request of \$321,907 to perform SIDES development services deleted in Amendment 7; and,
- Five other change requests for \$722,653.

**Amendment 12:** Executed September 10, 2013, increased the contract amount by \$5,460,740 for 54 change requests. The majority (50 out of 54) of the change requests, totaling \$5,083,953, were scheduled to be completed after Go-Live.

**Amendment 13:** Executed October 11, 2013,<sup>23</sup> increased the contract by a net amount of \$155,887 for six change requests. The amendment also expanded the types of defect<sup>24</sup> classifications from three to four types. The executed contract defined three types of defects as Fatal, Severe, or Trivial. Trivial defects, initially defined as “disabled non-essential functions defects” and “cosmetic defects” were redefined in separate groups as Medium and Low defect types. The four types of defects noted in the amendment were:

- Critical, which is a material error that causes loss of essential functions for which no workaround exists within the UC Solution. Error that causes loss of data or creates unusable data.
- High, which is an error that disables essential functions but for which a workaround exists with the UC Solution. This error materially violates specifications.
- Medium, which is an error that disables non-essential functions.
- Low, which is an error that is a cosmetic function.

**On October 15, 2013, the CONNECT system went Go-Live.**

**Amendment 14:** Executed November 21, 2013, included:

- An extension of the DDI period from 31 months to 32 months, October 28, 2013 to November 30, 2013;
- A decrease in the total contract amount by \$1,000,000;
- Established a Change Order Credit of \$500,000 to offset the costs of future change requests to be performed;
- The approval to begin the 1-year Warranty Period. The amendment stated, “For a period of 365 days, from November 21, 2013 until 11:59 p.m. on

<sup>23</sup> Four days prior to Go-Live.

<sup>24</sup> Per Contract Section 11.8, Defect Classification, “A software defect is any flaw or imperfection in a software work product or software process. A defect is a deviation from approved designs. A defect is frequently referred to as a fault or bug.”

November 20, 2014 (hereinafter called the ‘Warranty Period’), the Contractor warrants that the UC Solution shall operate free of defects (as such term is defined herein);” and,

- Extended the approval of the Implementation Phase Gate<sup>25</sup> into the Warranty Period with an expected approval date of December 20, 2013 subject to Deloitte’s completion of the resolution of 102 High Impact defects listed in Attachment A of Amendment 14.

**Amendment 15:** Executed June 6, 2014, decreased the contract by a net amount of \$830,499. Included below is a partial listing of changes noted:

- The parties agreed “The duration of DDI Performance Period was completed on February 28, 2014...”;
- The parties agreed, in lieu of liquidated damages, to reduce the Approval of Implementation Phase Gate scheduled payment amount from \$1,586,843 to zero due to delay in DEO’s acceptance of the Phase Gate;
- Established a Change Order Credit of \$500,000 to offset the costs of future change requests to be performed during 2014;
- The parties agreed that Change Request 200.2 RAAC Development and Change Request 249 RAAC Integration with Microsoft Word are not in scope under the Contract or this Amendment and deleted all change requests added in Amendment 10 and Amendment 11 (\$2,212,648), except for RAAC Bridge Design for \$75,035;
- Deleted the SIDES development change request added in Amendment 11 totaling \$321,907; and,
- Added 68 change requests totaling \$6,818,226.

**Amendment 16:** Executed November 20, 2014, increased the contract amount by \$2,350,002 for the following changes:

- Documented the completion of the Warranty Performance Period;
- \$1,200,000 for defect repair during the Operations Performance Period; and,
- \$1,150,000 for Infrastructure Operations during the Operations Performance Period.

**Amendment 17:** Executed May 22, 2015, decreased the contract amount by \$358,384 and concluded the contract between DEO and Deloitte. The amendment deleted change requests that were added in Amendments 15 and 16 and finalized the estimated total cost of the contract to be \$46,791,458.

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<sup>25</sup> A Phase Gate is Formal Go/No Go check points between the Agency and the Contractor.



**Ernst & Young, LLP (EY)**<sup>26</sup>

On January 25, 2010, AWI contracted with EY to provide Independent Verification and Validation (IV&V) Services for the UC Modernization Project.

The purpose of IV&V was to provide an unbiased review and assessment of the project to help ensure that it is meeting its desired goals; ensure the project adheres to internally documented or recognized industry standards and guidelines; ensure the products or deliverables meet the requirements and are of high quality; ensure appropriate controls are defined and utilized; and, ensure that the stakeholders in the process are effectively involved and aligned.

Due to issues outlined later in this report, on November 25, 2015, DEO and EY executed a dispute of services Settlement Agreement where EY agreed to pay DEO \$500,000.

**The North Highland Company (North Highland)**<sup>27</sup>

North Highland assisted in the Strategic Planning, specifically with the responsibilities to produce business process re-engineering documents, functional and non-functional requirements, and updating the 2009 Feasibility Study. (Phase 1)

North Highland was responsible for developing a procurement strategy and an Invitation to Negotiate (ITN) for Phase 3 of the UC Modernization Project. In addition, North Highland provided procurement support through the evaluation, oral presentations, contract negotiations and contract execution. (Phase 2)

North Highland provided continuity from the prior phases of the project; led the effort to ensure realization of the vision and objectives during the design and development of the CONNECT system; provided Subject Matter Experts; provided Organizational Change Management support services; and supported the implementation of the UC Benefits Realization Plan schedule. (Phase 3)

**KPMG, LLP**<sup>28</sup>

KPMG provided Project Management Office (PMO) services for the CONNECT project. The primary function of the PMO is to support the Project Director and deliver the project objectives as established by the Executive Steering Committee and as documented in

<sup>26</sup> Procured by 10-RFQ-002-SS under State Term Contract No. 973-561-10-1 for Information Technology (IT) Consulting Services. EY served as IV&V from January 25, 2010 to October 30, 2013. In October 2009, the State of Florida did not have a dedicated state term contract for IV&V services. However, in 2016, the IV&V became a new category for state term contracts.

<sup>27</sup> Procured by 10-RFQ-002-SS under State Term Contracts No. 973-561-06-1 and No. 973-561-10-1 for Information Technology Consulting Services. Contract period from July 3, 2009 to July 31, 2015.

<sup>28</sup> Procured by 10-RFQ-009-FS under State Term Contract No. 973-561-06-1 for Information Technology Consulting Services. Contract period August 5, 2010 to June 30, 2014.



the Project Charter.<sup>29</sup> The PMO tracks and controls the project activities throughout the life of the project. According to the UC Modernization Phase 3 Project Charter and Project Management Plan,<sup>30</sup> the responsibilities of the PMO were to:

- Establish and monitor Phase 3 governance;
- Provide coordination of and support for: Communications Management, Human Resource Management, Risk Management, Integration Management, Time Management, Cost Management, and Quality Management;
- Draft reports to the Project Director, Executive Steering Committee, Legislature/Technology Review Workgroup and Executive Management Team;
- Document the Requirement Management process;
- Serve as liaison with IV&V;
- Train team members on project governance, process, and procedures;
- Set up and maintain the SharePoint site to store project artifacts;
- Monitor progress against business objectives;
- Monitor relationships with internal and external stakeholders; and,
- Be responsible for document management.

### **KLC Consulting, Inc.**<sup>31</sup>

KLC Consulting, Inc. provided IV&V contract and vendor relationship management for the UC Modernization project and to ensure that effective communication and relationships were maintained between the IV&V, CONNECT project staff, and the Executive Steering Committee.

### **Strategic IT Alignment Group, LLC**<sup>32</sup>

Strategic IT provided staff augmentation services and Subject Matter Experts to the DEO for the CONNECT project.

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<sup>29</sup> The purpose of the Project Charter was to document the formal authorization of the project by the Project Sponsor. It is an agreement between a project's customers, the project team, and key management stakeholders regarding the scope and schedule for the project used to determine the project's success when it has been completed. The Project Charter is the underlying foundation for all project related decisions.

<sup>30</sup> The purpose of the Project Management Plan was to summarize the following documents as required by the DEO Project Director and/or the PMO: Work Breakdown Structure, Resource Loaded Project Schedule, Change Management Plan, Communication Plan, Document Management Plan, Scope Management Plan, Quality Management Plan, Risk Management Plan, Risk Response Plan, Issue Management Plan, Resource Management Plan, Conflict Resolution Plan; and Baseline Project Budget.

<sup>31</sup> Procured by State Term Contracts No. 973-561-10-1 and No. 973-561-06-1 for Information Technology Consulting Services. Contract period from January 26, 2010 to October 31, 2013.

<sup>32</sup> Procured by 21-RFQ-002-BM under State Term Contract No. 973-561-10-1 for Information Technology Consulting Services. Contract period from January 15, 2010 to December 31, 2015.

**Bryant Miller Olive PA**<sup>33</sup>

Bryant Miller Olive PA provided legal assistance during the procurement contract negotiation, contract development, and contract administration .

**Information Systems of Florida, Inc. (ISF)**<sup>34</sup>

ISF provided IT staff augmentation services and Subject Matter Experts to DEO for the CONNECT project.

**Performance Technology Partners**<sup>35</sup>

Performance Technology Partners provided Interactive Voice Response (IVR) software and training for the CONNECT system.

**Sogeti USA, LLC (Sogeti)**<sup>36</sup>

Sogeti provided staff augmentation services in developing the Unemployment Appeals Commission (Unemployment Appeals Commission, later named as Reemployment Assistance Appeals Commission) and TOP systems integration.

**Global Information Systems, Inc.**<sup>37</sup>

Global Information Systems, Inc. provided staff augmentation services including tracking, establishing technical requirements, and training.

**Languages Unlimited, LLC**<sup>38</sup>

Languages Unlimited, LLC provided translation services to translate Reemployment Assistance documents and webpages into Spanish and Creole.

**Capgemini Government Solutions, LLC (Capgemini)**<sup>39</sup>

Capgemini conducted an independent assessment of the CONNECT system to report on the health of the system post Go-Live. Capgemini issued their “Management and Technical Assessment Project” on June 23, 2014.

<sup>33</sup> Procured by Contract C0078. Contract period from June 1, 2010 to August 30, 2015.

<sup>34</sup> Procured by Contract C0221 under State Term Contracts No. 973-561-10-1 and No. 973-561-06-1 for Information Technology Consulting Services. The contract period from July 10, 2010 to June 30, 2015.

<sup>35</sup> DEO direct purchase of hardware and software under 13-ITB-004-SS.

<sup>36</sup> Procured by Contract C0628 under State Term Contract No. 973-561-10-1 for Information Technology Consulting Services. Contract period from January 30, 2012 to June 30, 2015.

<sup>37</sup> Procured by Contract C0011 under State Term Contract No. 973-561-10-1 for Information Technology Consulting Services. Contract period from July 1, 2012 to June 30, 2015.

<sup>38</sup> Procured by Contract C0907 under State Term Contract No. 973-561-10-1 for Information Technology Consulting Services. Contract period from July 25, 2013 to October 24, 2013.

<sup>39</sup> Procured by Contract C1165 under State Term Contract No. 973-561-10-1 for Information Technology Consulting Services. Contract period from January 1, 2014 to September 8, 2014.

**Planned Project Budget**

The 2009 Feasibility Study estimated the total investment for the UC Modernization Project would cost \$68,250,382. (See Figure 5.) The Feasibility Study also estimated the total time of the project would encompass three and a half years from the beginning of Phase 1 to the end of Phase 3. Following the recommendations of the Feasibility Study, AWI received funding from the Florida Legislature to proceed with the UC Modernization Project in 2009.<sup>40</sup>

**Figure 5: Planned Project Budget**

PROJECT COST ELEMENTS	PROJECT COST TABLE				
	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	TOTAL
State FTEs (Salaries & Benefits)	\$ -	\$ -	\$ -	\$ -	\$ -
OPS FTEs (Salaries)	-	-	-	-	-
Contractors (Costs)	2,000,000	18,465,707	18,877,686	7,203,687	46,547,080
Deliverables	-	-	-	-	-
Major Project Tasks	-	-	-	-	-
Hardware	-	3,957,023	2,638,015	-	6,595,038
COTS Software	-	-	-	2,800,000	2,800,000
Misc. Equipment	-	-	-	-	-
Other Project Costs					
	PMO, Training	3,455,692	4,090,718	2,453,590	10,000,000
	IV&V	923,305	923,305	461,653	2,308,263
Total Project Costs	\$ 2,000,000	\$ 26,801,727	\$ 26,529,725	\$ 12,918,929	\$ 68,250,382

SOURCE: Executive Steering Committee meeting, September 16, 2009

The original project performance periods for DDI and Operations and Maintenance were 21 and 12 months, respectively. The contract for the DDI period was extended by ten months in Amendment 7. This is further discussed above under Contracting Entities – Deloitte Consulting, LLP.

Deloitte’s contract ended in May 2015. Sogeti performed defect repair through December 31, 2015. As reported below, this review evaluated project costs that were incurred between 2009 and 2015.

<sup>40</sup> Senate Bill 1782 – Unemployment Compensation Claims and Benefits Information System.

**Project Costs 2009 to 2015**

Based on documentary evidence, we determined<sup>41</sup> the total cost of contracted services for CONNECT, including payments for hardware and software, totaled \$81,654,189, for the period of 2009-2015. (See Figure 6.)

**Figure 6: Summary of Contracted Costs**

<b>Contract Payments from 2009 to 2015</b>	
<b>Contractor Name</b>	<b>Payments</b>
Deloitte	\$46,471,963
Ernst & Young	2,072,669
The North Highland Company	8,852,390
KPMG	1,925,800
Capgemini	615,884
Sogeti	4,267,398
Information Systems of Florida	1,291,892
Strategic IT Alignment Group	5,021,435
KLC Consulting Inc.	199,406
Global Information Services	546,243
Performance Technology Partners	5,652,678
Bryant Miller Olive	114,264
Languages Unlimited LLC	49,795
Amendment 3 Hardware and Software Purchase made outside the contract	4,572,371
<b>Total</b>	<b>\$81,654,189</b>

Source: Vouchers Payments, MFMP, FACTS

When compared to the original budget of \$68,250,382, the increase in total projected contracted costs was \$13,403,807, or 19.6% over the 2009-2015 period.

Accounting for Deloitte’s Contract Costs

The DDI portion of the contract (Phase 3) was amended 16<sup>42</sup> times increasing the original contracted amount from \$39,843,769 to \$44,441,456, or a net increase of \$4,597,687 (11.5%). Amendment 16, totaling \$2,350,000, funded Deloitte’s first 6-month Maintenance and Operations Performance Period.

The amendments for the contract also included contract price reductions in the form of liquidated damages, credits toward future scheduled payments and change requests, and

<sup>41</sup> Identified the key entities providing relevant services for CONNECT and associated incurred costs based upon review of payment vouchers, MyFloridaMarketPlace, and FACTS from 2009 to 2015.

<sup>42</sup> Amendments 1-15, 17.

other contract price reductions totaling \$8,299,643. (See Figure 7.) The contract reductions were documented in the contract amendments on pages 11 to 15.

**Figure 7: Summary of Contract Reductions by Date**

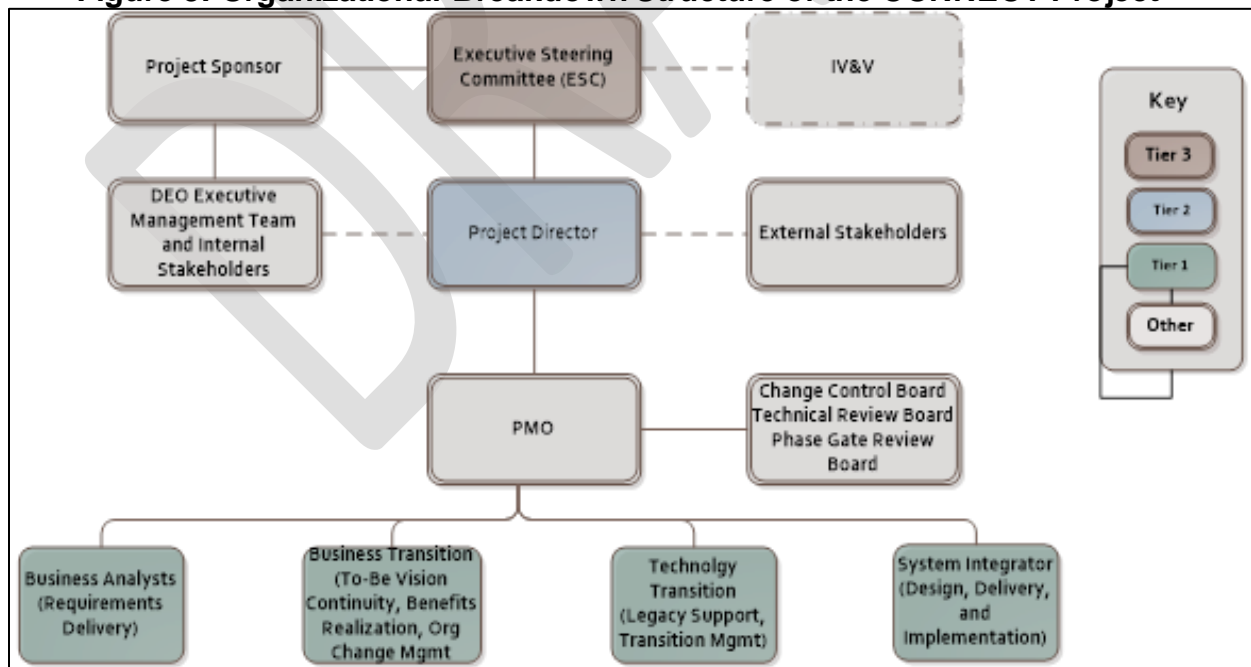
Date	Support Document	Liquidated Damages	Credit toward future work / Change Orders	Decrease in Contract Amount	Total
7/16/12	Amendment 7	\$1,965,000	\$2,500,000		\$4,465,000
7/16/12	Amendment 7		248,000		248,000
11/21/13	Amendment 14		500,000		500,000
11/21/13	Amendment 14			\$1,000,000	1,000,000
6/6/14	Amendment 15		\$500,000		500,000
6/6/14	Amendment 15	\$1,586,643			1,586,643
					\$8,299,643

Source: AWI executed contract C0369 with amendments (Deloitte)

### Project Governance and Structure

The organizational structure of the CONNECT project established three tiers of decision making. Tier One consisted of individual team leaders. Tier Two level decision makers were the Project Director, Project Management Office (PMO), Project Leadership Team (PLT), Change Control Board, and Phase Gate Review Board. Tier Three, being the highest level, was the Executive Steering Committee (ESC). (See Figure 8.)

**Figure 8: Organizational Breakdown Structure of the CONNECT Project<sup>43</sup>**



Source: Phase 3 Project Charter and Project Management Plan, (Prepared by KPMG)

<sup>43</sup> See in the Results of Review section of the report, the IV&V organizational reporting and independence.

The ESC was formed to oversee the CONNECT project and met from July 29, 2009 to May 9, 2014. The members of the ESC were comprised of the DEO Executive Director, Florida Department of Revenue (DOR) Executive Director, DEO Director of the Office of Unemployment Compensation, DEO Chief Information Officer (CIO), and the DOR General Tax Administration Program Office Program Director. The ESC had final approval for scope, budget, and schedule as well as the capability to cancel or delay the project if deemed appropriate.

The Project Director,<sup>44</sup> responsible for project ownership and guidance on the day-to-day activities for the CONNECT project, was supported by the PMO and was a member of the PLT team. The responsibilities of the Project Director also included:

- Overseeing the development and implementation of the project;
- Overseeing the management of the project;
- Reporting to the ESC;
- Managing relationships with internal and external stakeholders; and,
- Approving Phase Gate and project deliverables.

The PLT was comprised of the Project Director, PMO Project Manager, Business Analysts, Team Managers, Business Transition Team Manager, Technology Transition Team Manager, and System Integration Team Manager. The primary function of the PLT was to oversee project execution and risk resolution.

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<sup>44</sup> Tom McCullion, Project Director, September 2009 - April 2014. Beginning in April 2014, Jim Evers, DEO, and Nancy Sullivan, DEO, served in the Project Director capacity roles until project completion in November 2014.



**CONNECT System Update: March 2020 through January 2021**

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The former DMS Secretary, Jonathan Satter was interviewed in January 2021 to discuss his involvement and actions taken to bring CONNECT system stability which provided relief for Florida families.<sup>45</sup>

Satter explained that in April 2020, DEO began distributing paper unemployment application forms. The forms were 10 years old and contained fields that were not an exact match for what data needed to be collected. In mid-April additional state personnel and resources were brought in to input information from the paper forms into an on-line web portal repository application [PEGA].<sup>46</sup> The data from PEGA would then feed into the CONNECT system for eligibility determination and payments.

In the middle of April there was a continued demand on DEO and Satter was requested to support the effort. Claimant information could not be completed in the PEGA system because the forms did not include all the information required by the CONNECT system. Therefore, due to the 40,000 to 50,000 applications being submitted each day, the backlog of processing claims was increasing significantly. According to Satter, at this point decisions had to be made very quickly as there were three components that had to be considered: legislative requirements, public relations, and technology issues. DEO had to re-think how processes worked. The next step was automating the process further by creating a form fillable application that a claimant could complete and that could be processed by the CONNECT system.

According to Satter, other processes employed included bringing more servers and transferring the F5 load balancer<sup>47</sup> to the Cloud. The work search requirements were removed, which helped reduce the number of people in the system. Once CONNECT was stabilized they collaborated with United States Department of Labor (USDOL) to receive a waiver for interstate work verification requirements.

According to Satter, other added efficiencies included improvements to the work verification process with the Department of Revenue (DOR). This process was automated and is still being used at DOR. Other challenges he observed were that some of the programming languages used in CONNECT were so outdated, they could not find resources to maintain them. In addition to CONNECT crashing, the pandemic Federal legislation required several new unemployment related programs be implemented by DEO. This meant CONNECT was tasked with running five or six benefit programs when it was intended for one or two. Satter suggested that USDOL should set up a shared backbone system for states to utilize.

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<sup>45</sup> See Attachment 4 for a supplemental timeline of events from March 15, 2020 to May 1, 2020 previously provided to the CIG.

<sup>46</sup> PEGA is Customer Relationship Management application developed by Pegasystems Inc.

<sup>47</sup> A load balancer distributes network traffic over a set of servers to maximize server speed and utilization. <https://www.nginx.com/resources/glossary/load-balancing/>

With regards to improvements for the future, Satter said the procurement for CONNECT was put together in 2008/09 and it was probably outdated by the time it was implemented. The procurement of IT projects in conjunction with the implementation process is too slow.

Satter noted that as of January 2021 DEO has paid 97.8% of eligible claims per DEO's Dashboard.<sup>48</sup> (See Figure 9.)

**Figure 9: Total Claims Processed**



Source: DEO website, January 29, 2021

Following our interview, Satter provided the following written observations about his fellow state employees:

*I wanted to let you know that many, many people at DEO (and loaned from other agencies) worked many, many hours per week trying to get their fellow Floridians processed and paid. There were stretches of months where many folks worked 80+ hours a week and refused to take time off. After a while I had to insist that people take some downtime. In addition, we had the following fun distractions:*

1. *Multiple COVID-19 outbreaks in our building and in other DEO locations (send everyone home, clean, etc., and then start over again)*
2. *Multiple bomb threats (via phone calls)*
3. *Multiple shooting threats (via social media)*
4. *Many, many Callers threatening suicide, homelessness, etc.*
5. *Non-stop personal contact to all team members....*

*Many of the managers who worked much of these excessive hours were SES or SMS and did not receive any "overtime" pay. They did their duty – I am very proud of them.*

<sup>48</sup> For the period March 15, 2020 through January 28, 2021.

## Planned System Capacity Upgrades by DEO Executive Director Eagle

Under the leadership of recently appointed DEO Executive Director Eagle, on October 16, 2020, DEO issued an electronic Request for Quote number 21-RFQ-002-BM to potential contractors to complete an assessment of the CONNECT system and provide recommendations to improve the application process and delivery of Reemployment Assistance benefits, which was also to include an enhanced user experience. When interviewed on January 7, 2021, DEO Chief Information Officer Ed Wynn explained the purpose of the new Feasibility Study is to ensure what occurred in 2020 does not happen again.

On January 22, 2021,<sup>49</sup> DEO issued Purchase Order number BA3570 to ISF, Inc. totaling \$247,000 to conduct the assessment to include the following areas of consideration:

1. *Reemployment Assistance Program Reporting Enhancements*
2. *Claimant/User Experience*
3. *Scalability*
4. *Cloud Strategy*
5. *Information Security*
6. *Analytical and Historical Data Management*
7. *Interoperable Enterprise Data Facilitation*
8. *Application Program Interface Integration Layer*
9. *Use of emerging technologies to automate workflows and processes*
10. *Document Generation and Storage*
11. *Archival and Purge Functionality/Processes*
12. *Application Performance Management*
13. *Application Framework*
14. *Human Capital Management*
15. *Collaboration Management*
16. *Reporting Capabilities*

The final deliverable product due to DEO included a Schedule IV-B Feasibility Study<sup>50</sup> which includes system/program analysis, functional/technical requirements, benefits realization, cost benefit analysis, risk assessment, and technology and project management planning.

This study resulted in a final report published February 18, 2021. The report had the following seven key findings and recommendations:

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<sup>49</sup> The authorized start date given to ISF was November 17, 2020.

<sup>50</sup> In accordance with "Guidelines for Preparing The IV-B for Information Technology Projects, Fiscal Years 2021-22". The Schedule IV-B contains more detailed information on information technology (IT) projects than is included in the D-3A issue narrative submitted with an agency's Legislative Budget Request. Generally, the Schedule IV-B builds on analyses and information collected by the agency during the initial definition and planning stages of a project. A Schedule IV-B must be completed for all projects with a total cost (all years) of \$1 million or more.

1. *The Department continues to perform tirelessly to ensure benefits are provided to claimants.*
2. *The CONNECT system was not built to process the volume of claims received during the pandemic.*
3. *Substantial investments were made during 2020 to stabilize and scale out the system.*
4. *Those investments resulted in necessary increase to annual RA IT base budget.*
5. *Additional cloud migration investment is needed to realize performance and cost optimization.*
6. *Software architecture investment is needed to enable timely implementation of user-focused services.*
7. *Business [P]rocess Optimization (BPO) and user interface investment is necessary to streamline the user experience.*

The report also recommended DEO hire a System, Software, and Integration service provider, an IV&V service provider, and a project management service provider to address these findings.

Additionally, the report included a Schedule IV-B for DEO that described the necessary work to be performed on the CONNECT system. The Schedule IV-B estimated the increase needed in the annual RA IT base budget to be \$29.3 million, for a total of \$41.3 million annually. It also estimated a needed investment of \$73.3 million in projects over the next two years. Finally, the Schedule IV-B estimated a need for increased investment in maintenance of \$8.2 million in fiscal year 2023-24, \$8.1 million in fiscal year 2024-2025, and \$8 million in fiscal year 2025-2026. The Schedule IV-B did not estimate costs past fiscal year 2025-2026.

### **Other Concurrent Reviews**

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There are several current or pending reviews that, while different in scope and focus, examine the CONNECT system.

The Auditor General released the State of Florida's Comprehensive Annual Financial Report (CAFR) on February 26, 2021. It contains a note on the CONNECT system.

The Auditor General will be releasing an information technology operational audit of the CONNECT system in late March 2021.

The Auditor General will be releasing the Statewide Federal Awards Audit in late March 2021, which will include the federally funded component of the RA program.

These reports can be found at <https://flauditor.gov/pages/Reports.aspx>

## Results of Our Review

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Based on our review, we made the following significant observations:

1. The system capacity and scalability were inadequate.
2. Deloitte's delivered uFACTS solution was substandard compared to their proposed solution.
3. Deloitte's staffing issues caused significant delays in Florida.
4. Independent Verification and Validation services were neither fully independent nor adequately rigorous.
5. The number of fatal and severe system defects at Go-Live exceeded contractual requirements.
6. Post Go-Live code review and external audits reported significant issues.

### Issue 1: System Capacity and Scalability were Inadequate

**We determined that the requirements for system capacity, as outlined in the 2010 ITN, were never fully tested nor documented. The contract mandated system capacity for a minimum of 200,000 concurrent external users. We could not find evidence where DEO enforced this contract requirement. Deloitte's stress testing documentation shows testing was for approximately 4,200 concurrent users (internal and external.) By not meeting contractual capacities, the CONNECT system was poorly positioned to handle the unprecedented claims volume beginning in March/April 2020.**

### COVID-19 Pandemic Impact on the CONNECT System

In March 2011, when the Deloitte contract was executed, the Florida unemployment rate was 10.1% with 963,872 individuals unemployed and 73,241 initial claims filed. When the CONNECT system went live in October 2013, the unemployment rate had reduced to 6.8% with 644,584 individuals unemployed and 66,161 initial claims filed.<sup>51</sup>

In February 2020, the unemployment rate further reduced to 2.8% with 290,274 individuals unemployed and 20,600 initial claims filed. In March 2020, due to the impacts of the COVID-19 pandemic, the CONNECT system became unavailable due to extremely high volume of external users attempting to log onto the system. The unemployment rate rose to 4.4%, with 457,308 individuals unemployed and 372,727 initial claims filed resulting in a 1709% increase over the prior month.<sup>52</sup>

Some negative impacts to the CONNECT system were due to the complex federal regulation of the program and the normal functioning of the system's fraud controls

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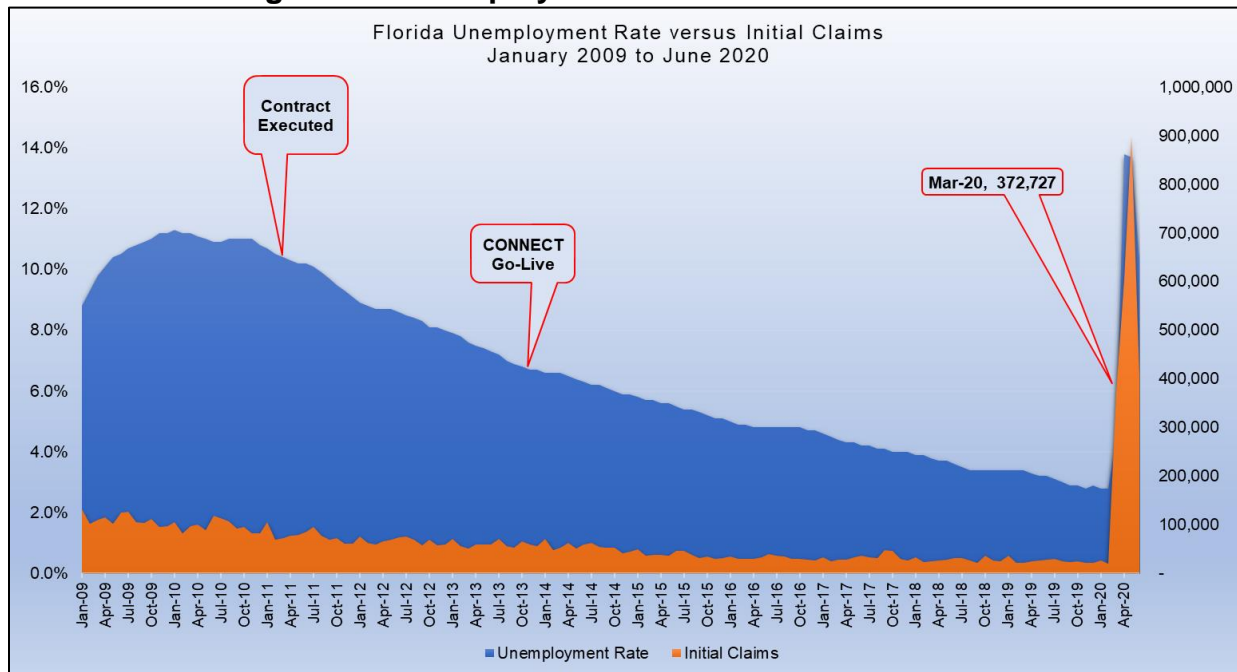
<sup>51</sup> Based upon data from the United States Department of Labor.

<sup>52</sup> Prior to this, the greatest one-month increase in initial claims was 60% from September 2018 to October 2018.

leading to a high rejection rate for claims before the COVID-19 pandemic. In calendar year 2019, for example, 68% of claims were rejected, according to DEO.

As shown in Figure 10, the unemployment rate and the number of initial claims continued to rise until June 2020, peaking in April and May 2020.

**Figure 10: Unemployment Rate versus Initial Claims**



Source: U.S. Department of Labor, Bureau of Labor and Statistics and DEO Operations Staff

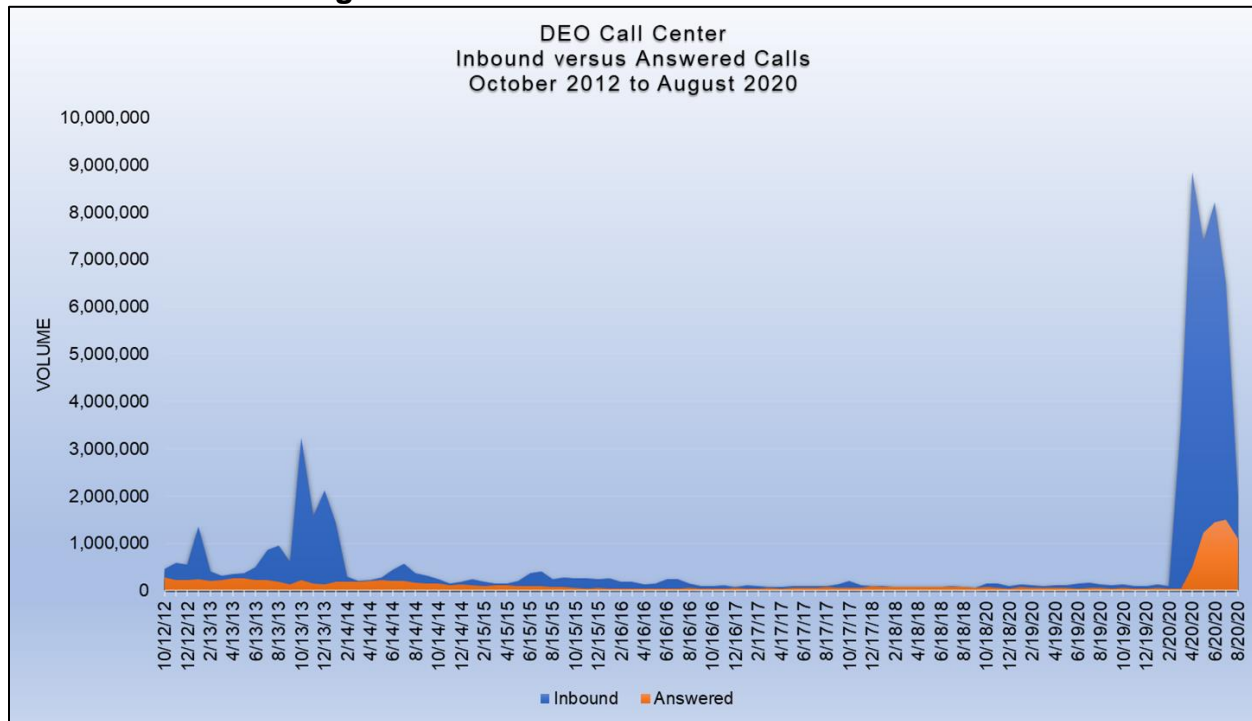
In April 2020, the unemployment rate was 13.8% with 1,305,832 individuals unemployed. During the month there were 606,591 initial claims filed, which was an increase of 2845% compared to February 2020.

In May 2020, the unemployment rate was 13.7% with 1,319,309 individuals unemployed. During the month there were 898,293 initial claims filed, which was an increase of 4261% compared to February 2020, with 898,293 initial claims filed.

In addition, DEO’s call center also experienced unprecedented call volumes far in excess of the initial volumes at Go-Live as shown in Figure 11.



**Figure 11: Inbound versus Answered Calls**



Source: DEO Operations Staff

Prior to the COVID-19 pandemic in early 2020, the system’s eight web servers had an average concurrent user volume of approximately 10,000 users. Due to the unprecedented increase in the number of claimants trying to access the system in March 2020, DEO added approximately 80 Cloud based web servers to increase the capacity to approximately 100,000 concurrent users. Additionally, DEO relocated 72 servers from the disaster recovery backup site to supplement on-premises production servers.

As part of our work to understand the issues with CONNECT’s systems capacity we conducted a review of the planning for system capacity and subsequent testing.

**Operational Work Plan (OWP) Guidelines for System Capacity Planning**

The 2009 Feasibility Study reported that 900,000 unemployment applications were being processed annually, resulting in payments to 500,000 individuals. The study also reported “staggering growth rate occurring in fiscal year 2007-2008.” According to the Feasibility Study, system capacity was largely associated with system performance. The Feasibility Study stated:

*[Legacy] System response times had gotten so bad that the staff conservatively estimated 30-45% of their day was spent waiting for the system to respond. Many customers were unable to access the online claims application during peak hours and many had to call the phone claim system multiple times before they were able to secure an open line.*

AWI's May 2010 ITN to prospective bidders updated the Feasibility Study's statistics for the number of unemployment applications being submitted and the number of individuals receiving payment. (See Figure 12.)

**Figure 12: May 2010 ITN Problem Statement**

**2.0 Problem Statement**

The Agency of Workforce Innovation (AWI) impacts the lives of Florida's citizens at a moment when their needs are greatest. AWI operates a \$6.5 billion dollar Unemployment Compensation (UC) program that is responsible for processing 3 million claims applications and making payments to 1.1 million individuals per year. The unemployed citizens of Florida use these payments to provide the bare necessities for their families, while they look for new employment.

Source: 10-ITN-001-SS

In summary, the number of applications had approximately tripled and number of payments to individuals had more than doubled from October 2008 to May 2010.

The Florida Legislature's Technology Review Workgroup (TRW)<sup>53</sup> OWP Section 8, Capacity Plan, required:

*A capacity plan that provides a concise description of the specific business processing requirements and measurements that indicate the level of demand on the current and proposed computing resources. It should include items such as:*

- *Total number and type of users (e.g., named or concurrent; power, casual, or data entry);*
- *Peak and average number of on-line transactions per hour/ day/ week;*
- *Number of batch transactions per day/ week/ month;*
- *Number of terminals or workstations accessing the system through dedicated internal and external communications networks, wide area networks, and local area networks;*
- *Query and reporting workload;*
- *Processor capacity utilization;*
- *Storage capacity utilization; and,*
- *Network capacity utilization.*

*Performance and capacity utilization trend lines should reflect actual and planned changes in workload and IT infrastructure and should be representative of normal and peak operations. If actual data are not available, document the methodology used to derive reasonable estimates and document and explain any assumptions used to project growth for the planning period. Major deviations from the trend line should be explained*

<sup>53</sup> Created in Section 216.0446, Florida Statutes, in 1997 to provide analysis and recommendations regarding agency funding requests for information technology projects. The statute was repealed during the 2011 legislative session and the workgroup dissolved.

*and supported in the narrative. Describe how project-related capacity requirements were estimated and the assumptions underlying significant workload changes. Include supporting data and pertinent charts or graphs for measurements that support the projected capacity impact on computing and network resources affected by the project.*

*A relative scale for capacity-related measurements can be determined by assigning a number to the processor capacity (100% effective busy condition) and extrapolating the percentage of utilization to determine the relative capacity requirements for batch, on-line transactions, etc. The established trend line for capacity should be projected into the planning period for use as a baseline measurement for future/projected capacity needs.*

Section 8 of the project’s OWP<sup>54</sup> referenced the planning effort that occurred in Phase 2 regarding the system’s capacity requirements for concurrent internal and external customer users. (See Figure 13.)

**Figure 13: Excerpt from August 2011 OWP Phase 3, Section 8**

## **8 CAPACITY PLAN**

Capacity planning was an iterative process throughout Phases 2a and 2b. It began with examining the business needs of the UC program and establishing system requirements. This data, along with projected workloads, was presented to prospective bidders in the Invitation to Negotiate. The competitive bidding process presented the opportunity to compare proposed solutions from multiple vendors and fully vet the proposed infrastructures. The result of that process is a set of environments (development, test and production) sized to meet the agency’s needs.

Source: August 2011 OWP

The OWP for the CONNECT project did not define the capacity and volume metrics required by the TRW. The OWP plan did not include information for the minimum or expected normal and peak capacity by internal/external users, processor capacity utilization, storage capacity utilization, or network capacity utilization. In addition, the OWP did not define expected excess capacity available to accommodate potential spikes in the number of unemployment claims filed in the future.

### **Deloitte’s uFACTS System Scalability**

Deloitte described in their ITN response, shown in Figure 14, that the uFACTS system demonstrated scalability to 3 times over the anticipated level for the State of Minnesota.<sup>55</sup> Deloitte also listed that an advantage for AWI would be “AWI can handle sudden

<sup>54</sup> Prepared by KPMG as one of the key deliverables required by contract.

<sup>55</sup> At this time Minnesota was utilizing the uFACTS solution.

increases in claim volumes due to economic cycles without adding resources or reducing service levels.” (See Figure 14.)

**Figure 14: Tab 3 - Executive Overview on Scalability**

Deloitte Delivers Tangible UC Benefits Modernization		
Client/Project	Achievement/Outcome	Advantages for AWI
State of Minnesota	Flexibility – implemented extensions for policy changes in a few days versus 4 or more weeks	AWI can implement some policy or legal changes in just days, improving ability to comply with policy and law more quickly.
	Scalability – claims volumes quickly increased 3X the anticipated level, but the system experienced no decrease in performance and service levels to claimants and employers.	AWI can handle sudden increases in claims volumes due to economic cycles without adding resources or reducing service levels.

Source: Deloitte’s ITN Response, dated July 16, 2010

Deloitte’s ITN response, dated July 16, 2010, also indicated the uFACTS system could process peak volume concurrent loads with excess capacity to handle growth. (See Figure 15.)

**Figure 15: Deloitte’s Web and Application Servers Capacity**

***Web Servers***

Our proposed solution uses multiple Web servers to serve the incoming Web traffic. The determined number of Web servers makes certain that they have the capacity to handle the peak volume concurrent load with excess capacity to handle growth. This means that there is always enough capacity to handle the Web traffic even if one of the Web servers is out of service.

***Application Servers***

Our proposed solution uses multiple application servers to serve the incoming Web traffic at peak volumes with excess capacity to handle growth, even if one of the application servers is out of service.

Source: Deloitte’s ITN Response, dated July 16, 2010

Deloitte also reported the Hardware/Software infrastructure solution provided in the ITN response dated July 16, 2010 would meet the capacity sizing requirements and handle dramatic increases in claims. (See Figure 16.)

### Figure 16: Meeting Capacity Sizing Needs

**We will meet your capacity sizing needs.** Deloitte understands that AWI needs a system capable of handling a large user base, particularly in difficult economic times where claims increase dramatically. Deloitte has experience with systems of size and scope similar to Florida's. Because of the scalable design of the uFACTS Solution Framework, adding capacity for additional concurrent users is achievable by adding additional server infrastructure and "scaling out" the solution. We have used this experience to provide you an infrastructure specification to meet your requirements.

Source: Deloitte's ITN Response, dated July 16, 2010

### Capacity Size System Requirements

The ITN's Attachment Q, Requirements Response Matrix, listed 1,484 business and system requirements<sup>56</sup> of which there was one requirement for capacity monitoring and four capacity requirements. These five requirements and Deloitte's responses to each are provided below.

#### Requirement NF 0073, Development and Support Services:

*The system shall include tools for monitoring and reporting capacity and performance for all system components.*

#### Deloitte's Response:

*The uFACTS Solution Framework satisfies this requirement by relying on the application software components it uses such as database management system, IIS server, FileNet etc. to monitor and report capacity and performance of these components. IBM's Tivoli Monitoring is used to monitor the components of the uFACTS Solution Framework such as databases, servers etc. Tivoli provides a flexible browser interface and customizable workspaces to facilitate system component monitoring and reporting.*

#### Requirement NF 0316, System Architecture:

*The system shall support at a minimum 1,600 concurrent users at initial deployment.*

<sup>56</sup> The ITN's functional and non-functional requirements were incorporated by reference on page 9 of the contract with Deloitte.



Deloitte's Response:

*The uFACTS Solution Framework meets this requirement by providing an extensively performance tested and optimized solution. The proposed solution will be subject to an extensive load/stress and performance testing to meet this requirement.*

Requirement NF 0317, System Architecture:

*The system shall support at a minimum 200,000 concurrent external customers at initial deployment.*

Deloitte's Response:

*The uFACTS Solution Framework meets this requirement by providing an extensively performance tested and optimized solution. The proposed solution will be subject to an extensive load/stress and performance testing to meet this requirement.*

Requirement NF 0319, System Architecture:

*The system shall support at a minimum 3.6 million claims annually at initial deployment.*

Deloitte's Response:

*The uFACTS Solution Framework meets this requirement by providing an extensively performance tested and optimized solution. The proposed solution will be subject to an extensive load/stress and performance testing to meet this requirement.*

Requirement NF 0320, System Architecture:

*The system shall support at a minimum 1.5 million claimants annually at initial deployment.*

Deloitte's Response:

*The uFACTS Solution Framework meets this requirement by providing an extensively performance tested and optimized solution. The proposed solution will be subject to an extensive load/stress and performance testing to meet this requirement.*



## Capacity Testing Results

### Deloitte's Test Plan

The CONNECT system was required to be designed to provide the capacity to:

- **Support, at a minimum, 1,600 concurrent users at initial deployment; and,**
- **Support, at a minimum, 200,000 concurrent external customers at initial deployment.**

The contract required Deloitte to prepare two deliverables to document the testing for capacity:

- Deliverable Expectations Document 19, Test Plan, and,
- Deliverable Expectations Document 23, Technical (Performance) Test Results.

Deloitte's Deliverable Expectations Document 23 (DEL 23) – Technical (Performance) Test Results in Section 1, Purpose, stated:

*The purpose of the Technical (Performance) Test Results Deliverable 23 is to provide evidence of the performance tests conducted during system integration testing of the CONNECT system. The deliverable also describes corrective actions taken as a result of unsatisfactory test results. It documents the specific results to enable DEO to verify that the CONNECT system has been adequately tested prior to Go-Live and that testing of the system for the specified test types is consistent with the Test Plan.*

*In comparison to the System Test Results Deliverable 22, the technical test results reflect testing of system performance during simulated production operations, particularly during anticipated peak activity, rather than simply testing that functions are executed as expected. Technical (Performance) testing is conducted to verify that batch processes run within the expected batch windows, that system processing time is acceptable with peak volumes of users performing similar actions concurrently, and to confirm the system responds as designed when it exceeds the intended operating limits (such as number of users, and volume of data processed).*

The test plan indicated there were six distinct test types. The objectives and approach of the tests were noted to be:

1. Baseline test - purpose is to test baseline response time.
2. Component Load test - purpose is to isolate tuning opportunities in individual systems/system components.
3. Load test - purpose is to evaluate the system performance under a peak load condition based upon average hourly load.

4. Endurance test - purpose is to simulate an average business day volume worth of transactions and followed by daily nightly batch executed.
5. Stress test - purpose is to determine the upper limit capacities for environment operations.
6. Location based testing - purpose is to identify online transactions that create potential network stress through large numbers.

Contract Section 7.1, Test Tools, noted Performance Testing had a forecasted number of users as less than 20 actual and 5,000 virtual. (See Figure 17.)

**Figure 17: Forecasted Number of Users for Performance Tests**

7.1 Test Tools		
This project uses specialized testing tools to organize and accelerate the test process. The following tools are planned for test use.		
Tool	Description of Use	Forecasted Number of Users
HP ALM – Requirements Module	Uses a copy of the requirements listed in IBM Requisite Pro for the project to allow test traceability to requirements	<10
HP ALM – Test Plan Module	Testers use this module to create test scenarios and test cases, and to create test traceability relationships to requirements	<25
HP ALM – Test Lab Module	Testers use this module to set up test execution runs and to execute tests. The tool assists the tester with test result reporting	<100
HP ALM – Defects Module	Testers, developers, data conversion team members, interface team members, PMO, and others use this module to report defects, address defects, track and report on defects, and to address defects	<200
HP ALM – Dashboard Module	PMO, testers, and other project stakeholders use this module to view reports on test progress and defects	<200
HP PC / LoadRunner	Performance testers use this tool to create tests that will put load on the system under test	<20 actual / 5000 virtual
NUnit	Streamlines automated unit testing	<50
TFS / build	Streamlines automated build tests	<10
HP QTP	Test automators use this VB-like scripting language to create automated smoke and regression tests	<5

**Table 15 - Test Tools Summary**

Source: AWI executed Contract C0369 Deloitte's Deliverable 19, Test Plan

Deloitte's Test Results

Contract Section 8.8, Development Phase – System Integration Test, included the following Stress Test requirement:

*Stress testing to exercise the UC Solution to the limits of its requirements and beyond those limits to confirm graceful failure including COTS packages.*

Deliverable 23 reported passing results for both the Load Test and the Stress Test which was based upon transaction and user volume. Deloitte also reported that all business processes met or exceeded average hour transaction volume.

An analysis comparing the volume metrics of the concurrent users between the Load Test Results (Figure 18) and the Stress Test Results (Figure 19) showed that the number of concurrent users tested were 3,904 and 4,200, respectively. The incremental increase from the Load Test to the Stress Test was 296 concurrent users, or 7.6%.

**Figure 18: Load Test Results dated August 18, 2013**

Load Test			
Business Process	Total Users	Concurrent Users	Average Hourly Volume
Initial Claim	612	162	612
Continued Claim	14,048	3,486	14,048
Staff Adjudication	992	150	992
Employer	513	106	513
<b>Total</b>	<b>16,165</b>	<b>3,904</b>	<b>16,165</b>

Source: AWI executed Contract C0369 Deloitte's Deliverable 23, Technical (Performance) Test Results

**Figure 19: Stress Test Results dated August 18, 2013**

Stress Test			
Business Process	Total Users	Concurrent Users	Average Hourly Volume
Initial Claim	1,332	162	1,332
Continued Claim	24,127	3,782	24,127
Staff Adjudication	2,284	150	2,284
Employer	1,389	106	1,389
<b>Total</b>	<b>29,132</b>	<b>4,200</b>	<b>29,132</b>

Source: AWI executed Contract C0369 Deloitte's Deliverable 23, Technical (Performance) Test Results

As reported above, the Capacity Plan in the OWP for the CONNECT project did not disclose the planned normal or excess capacity usage of the CONNECT system or user volume metrics. Additionally, the Stress Test, which is designed to test beyond the capacity of the designed requirements, limited testing to 4,200 concurrent users, or 2.1% of the 201,600 concurrent users, the minimum number required by contract provisions.

**IV&V Oversight of Deloitte Testing by EY**

One of the key responsibilities of the IV&V contractor (EY) was to determine contract compliance including oversight of Deloitte's Performance (Technical) Test Results. As shown in Figure 20, the requirements concerning concurrent users were listed as "FEAT1810 and FEAT1811" in the Deliverable 05 – Validated Requirements spreadsheet.

**Figure 20: Deliverable 05 – Validated Requirements**

FEAT1810	The system shall support at a minimum 1,600 concurrent users at initial deployment.	AWI	NF.0316
FEAT1811	The system shall support at a minimum 200,000 concurrent external customers at initial deployment.	AWI	NF.0317

Source: AWI executed Contract C0369; Deloitte Deliverable 05 Validated Requirements

Although EY had four of the eight key oversight deliverables deleted from their scope of work<sup>57</sup>, the EY’s review of Deloitte’s Test Plan Deliverable 19 approved by DEO on August 3, 2012 was not deleted. Deloitte’s Test Plan for Stress Testing did not include any reference to the contract’s compliance requirements regarding the capacity for a minimum number of concurrent users. On August 23, 2012, EY’s review of Deloitte’s Test Plan, reported there were no deficiencies with the Project CONNECT Test Plan. (See Figure 21.)

**Figure 21: Excerpt from EY IV&V Deliverable Review Report - Test Plan Review**

**1.2 Recommendations for addressing deficiencies**

There are currently no deficiencies with the PC Test Plan that might impact the project’s quality, timeline and scope.

Source: EY IV&V Deliverable Review Report - Test Plan Review August 23, 2012

In September 2013, the results of the actual Technical (Performance) Tests were reported in Deloitte’s Deliverable 23, Test Plan Results.

The Technical (Performance) test results were approved by the Phase Gate Review Board on September 9, 2013. (See Figure 22.)

<sup>57</sup> The justification for Purchase Order number A8469F stated “Due to delays in the UC Modernization/UC Connect Project, the Department had to realign and reduce the deliverables of the Ernst & Young IV&V portion of the contract which resulted in a contract reduction of \$415,413.80.” Also see Figure 39.

**Figure 22: Phase Gate Review Board (PGRB) Meeting, September 16, 2013<sup>58</sup>**

Deliverable	DEO Approval Date	ADAO Recommendation	PGRB Action
20 Establish Test/UAT Environments 20.01 Technical Physical Environment Test Complete 20.02 Logical Region Training Complete 20.03 Logical Region Performance Test Complete 20.04 Logical Region UAT Complete	4/23/13	Approval	Concurred. Present to Project Director for approval
21 - Test Materials	6/28/13	Approval	Concurred. Present to Project Director for approval
23 - Technical (Performance) Test Results	9/3/13	Approval	Concurred. Present to Project Director for approval
Completion of User Acceptance Testing	9/16/13	Approval	Concurred. Present to Project Director for approval.

Source: PGRB meeting minutes Dated September 16, 2013

Deloitte disclosed in Deliverable 23 that the Stress Tests relied upon 4,200 concurrent users. EY’s Monthly Assessment Report (MAR) covering the month of September 2013 coincided with Deloitte’s submittal of their Deliverable 23 to DEO. EY’s September 2013 MAR listed the artifacts reviewed and did not include Deloitte’s Deliverable 23, Test Results.

Despite the information reviewed and interviews conducted, we were unable to determine if the minimum 201,600 concurrent internal and external user requirements as outlined in the ITN was ever tested and documented.

**Additional Regression Testing Concerns by DEO**

Post Go-Live, DEO identified concerns with Deloitte’s regression testing. Deloitte’s contract provisions<sup>59</sup> required regression testing of the software code, the purpose of which is to find out whether code changes during development negatively affected the functionality of other parts of the code. Deloitte was required to perform regression testing and report the results in a project management tool called HP ALM.<sup>60</sup>

<sup>58</sup> ADAO – AWI Deliverable Acceptance Owner.

<sup>59</sup> Section 8.8, Develop Phase – System Integrations Testing, test item number 7; Section 8.9, User Acceptance Test Phase.

<sup>60</sup> Hewlett-Packard’s Application Lifecycle Management.

In an email to McCullion dated December 31, 2013,<sup>61</sup> DEO’s technical lead, Bahram Samani, reported on Deloitte’s contract compliance and cooperation regarding regression testing. Samani had asked Deloitte for regression testing results and “Deloitte had not provided any [results].” In addition, none of the test results could be found in the locations where Deloitte was required to store the results in HP ALM per the contract. (See Figure 23.)

**Figure 23: Email from Samani to McCullion, December 31, 2013**

Tom,

Here is a summary:

- Based on the contract, Deloitte must perform regression testing and provide all results. Section 8.8 or 8.9
- Deloitte reported regression test results various times in the PLT’s. see below
- Deloitte is not now or ever used ALM to execute regression test. Hence, auditing of their reports is not possible
- I have not been able to find any test results in the locations Deloitte is supposed to be storing them. In the test results folder, there are no test results prior to 2013-12-09
- I have asked for test results of any kind to validate, but Deloitte has not provided any
- As part of the test plan, Regression is supposed to be 5% of the test scripts
- The automation scripts have not been kept up to date.
- I have attached some emails from Deloitte on testing. As you can see they reported on regression testing. What is not provided is if the testing was manual or automated
- Even now, I have asked for Deloitte to start using ALM but they keep pushing back

Source: DEO

Furthermore, Samani asked Deloitte to start using HP ALM but reported that “they keep pushing back.” In an interview, Samani stated “They [Deloitte] did not document regression testing results into HP ALM properly.”

<sup>61</sup> Two and a half months after Go-Live.



**Issue 2: Deloitte’s Delivered uFACTS Solution was Substandard Compared to Their Proposed Solution**

**We determined Deloitte’s uFACTS solution was not the fully mature transferable .NET<sup>62</sup> solution as outlined in Deloitte’s ITN proposal. The uFACTS framework was a product that required greater customization than foreseen by system stakeholders.**

Prior to May 2009, the uFACTS solution framework was a BearingPoint, Inc. (BearingPoint) product. Deloitte purchased BearingPoint’s North American Public Service Unit as a result of BearingPoint’s Chapter 11 bankruptcy.<sup>63</sup> Approximately six months later, on October 28, 2009, Deloitte submitted their response to AWI’s Request for Information 10-RFI-001-SS, UC Modernization Planning for Phase 3 proposing the uFACTS framework as a “Proven UI Modernization Tool.”<sup>64</sup>

**Deloitte’s Proposed .NET uFACTS Information**

In Deloitte’s responses to both the Request for Information (RFI) and the Invitation to Negotiate (ITN), Deloitte described the uFACTS system as a “robust” and “mature” solution in the .NET platform. Deloitte’s October 2009 RFI response stated the uFACTS was a robust J2EE (Java)<sup>65</sup> or .NET technical framework solution. (See Figure 24.)

**Figure 24: Excerpt from Deloitte’s RFI Response**

The uFACTS Solution Framework Is Designed to Jump-start Development	
Features	Benefits
Component-based architecture	Streamlined integration of off-the-shelf components with existing artifacts and custom code.
Service-Oriented Architecture (SOA)	Reduction in integration and maintenance costs; Exposure of UI capabilities to enterprise consumers.
Web-based interface	A common browser-based system accessible by all users.
<b>A robust J2EE or .NET technical framework incorporating best-of-breed vendor solutions</b>	Flexibility to tailor system functionality to meet your unique business needs, while relying on proven vendor-maintained software to deliver functions such as document management, workflow, and business rule management.

**Exhibit 2 - 11: Designed with Application Development in Mind.**

Source: Deloitte RFI response Dated October 28, 2009

Approximately nine months later, on July 16, 2010, Deloitte’s ITN response stated the uFACTS Solution Framework delivers a mature solution in the .NET platform. (See Figure 25.)

<sup>62</sup> .NET Framework is a software development platform for building and running applications on Windows.  
<sup>63</sup> The Commonwealth of Massachusetts Report of the Senate Committee on Post Audit and Oversight entitled “Massachusetts Information Technology: Looking Back, but Moving Forward”, dated April 17, 2014.  
<sup>64</sup> Deloitte’s response to AWI’s RFI No. 10-RFI-001-SS, October 28, 2009, Section 2, Details.  
<sup>65</sup> J2EE stands for Java 2 Enterprise Edition. The functionality of J2EE is developing and deploying multi-tier web-based enterprise applications.

**Figure 25: Excerpt Deloitte’s July 16, 2010 ITN response**

The uFACTS Solution Framework delivers a mature Service-Oriented Architecture (SOA) built within Microsoft’s .NET platform that is flexible, scalable, and maintainable, providing the capacity for growth, the automation and Web-based user interfaces required to improve operations, and the ability to make rapid changes to accommodate new business rules and laws.

Source: Deloitte’s July 16, 2010 ITN Response, Section 5.3, Technical Description

**Delay of uFACTS solution in Massachusetts**

In October 2009, Deloitte’s RFI response reported that they were still in the process of implementing a .NET uFACTS<sup>66</sup> solution for the State of Massachusetts (named QUEST) with an estimated finished date of December 2010.<sup>67</sup> (See Figure 26.)

**Figure 26: Excerpt from Deloitte’s October 28, 2009 RFI Response**

uFACTS Solution Framework																
Project Name	Start	Finish	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>MA QUEST</b> UI Benefits and Tax Modernization	03/07	12/10														

Source: Deloitte’s October 28, 2009 RFI response

In July 2010, Deloitte’s ITN response reported that the Massachusetts project was on-time with an estimated finish date of August 2011. (See Figure 27 and Figure 28.)

**Figure 27: Excerpt Deloitte’s July 16, 2010 ITN Response**

In the Commonwealth of Massachusetts, we are modernizing UC Tax and Benefits processes over a 46 month schedule – on-time and within budget.

Source: Deloitte’s July 16, 2010 ITN Response, Company Profile and Experience

**Figure 28: Excerpt Deloitte’s July 16, 2010 ITN Response**

uFACTS Solution Framework																	
Project Name	Start	Finish	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>CA UIMOD</b> UI Continued Claims Modernization	03/10	06/12															
<b>MN UI TIP Enhancement</b> UI Benefits and Tax Modernization	10/09	10/11															
<b>NM UITSM</b> UI Tax Modernization	07/10	11/12															
<b>MA QUEST</b> UI Benefits and Tax Modernization	03/07	08/11															

Source: Deloitte’s July 16, 2010 ITN Response, Company Profile and Experience

<sup>66</sup> Deloitte’s DEO Project CONNECT Engagement Review Memo, Engagement Review, dated December 11, 2011 disclosed the Massachusetts project was the first uFACTS .NET implementation for Deloitte.

<sup>67</sup> Deloitte ITN Response, Details, Unemployment Insurance Customers – a Brief Description of UI Modernization Services Provided, page 14.

When comparing completion dates of the QUEST project reported in the October 2009 RFI response and the July 2010 ITN response, the finish date had slipped by nine months.

### **Project Delay in Florida**

During a September 14, 2011, Executive Steering Committee (ESC) meeting McCullion reported that the project team visited the Massachusetts Department of Unemployment Assistance for more detailed insight into issues surrounding the project. It was reported to the ESC that a uFACTS user group with other state implementations in Massachusetts, Minnesota, and New Mexico was being formed.

On March 30, 2012, Samani sent McCullion a document titled “Successful CONNECT Live” authored by the states of Florida, Massachusetts, and New Mexico, which listed other concerns related to testing. The document states:

*This document is a collaborative effort by various states in order to address concerns with the Deloitte uFACTS framework, methodologies, and standards. The concerns listed are based on observations of methodologies, standards, and analysis of the source code. The goal is to have Deloitte address and resolve the concerns. This will benefit all uFACTS deployments and development efforts. The focus of this document is the development and architecture of uFACTS.*

The topics of concern in the report were the types of system testing performed, the documentation of the testing; and documentation of the testing results.

A technical Unemployment Insurance (UI) Summit was convened on April 10<sup>th</sup> and 11<sup>th</sup>, 2012. The technical summit was attended by leadership from Deloitte and representatives from the customer states of Florida, New Mexico, and Massachusetts. During the technical summit, it was stated one of the main concerns for the Florida uFACTS solution was the Massachusetts uFACTS solution being behind schedule. (See Figure 29.)

Figure 29: April 2012 UI Summit Presentation

**FL State update: Current situation**

Deloitte had previously created proposed schedules to overcome the design phase gate delay

- The code development for iteration 1 was started in November 2011
- An intensive effort to validate the quality of iteration 1 code is underway
- Preliminary development of iteration 2 is starting

In addition, certain underlying assumptions relative to the originally planned Development effort and schedule have changed:

- The completion of the base uFACTS Solution from MA is behind schedule
- The Florida changes to the base uFACTS design are greater than originally planned
- The elapsed time and effort required for System Testing needs to be re-evaluated

As a result, the required effort and resource plans have been under-estimated and additional staff will be needed to complete development and testing

As a result of the Design Phase Gate delay and other project concerns, the DEO has requested a Corrective Action Plan from Deloitte.

**Deloitte**

- 8 -

Source: Deloitte UI Summit Presentation, April 10<sup>th</sup>/11<sup>th</sup>, 2012

Deloitte also reported at the UI Summit that the conversion of the uFACTS solution from Java to .NET had resulted in an increased development effort, delaying the Massachusetts implementation. The changes to the business requirements between the Massachusetts uFACTS solution and the Florida uFACTS solution were also greater than originally forecasted, resulting in a greater delay of the Florida implementation. (See Figure 30.)

Figure 30: April 2012 UI Summit Presentation

**Current challenges faced in MA and FL**

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**Key Project challenges**

State	Challenge	Impact
MA	Re-coding the Java Solution Business Logic from Minnesota to .NET for Massachusetts resulted in significant effort.	Increased development effort resulted in less time to implement business functionality.
MA	For certain complex areas of the solution, the Use Cases require an additional level of detail to define the myriad of business scenarios needed.	Functional gaps were present in the Use Case documentation and developers had to create code directly from the Use Cases which resulted in less code uniformity, more assumptions and some code standards not being followed.
MA	Staff turnover from DUA and Deloitte	Loss of knowledge at key times resulting in the need to re-train new staff.
FL	Florida was scheduled as a solution transfer and the delivery of system code from Massachusetts has been delayed.	Increased development effort to get the code where it needs to be and/or schedule delays in waiting for Massachusetts code that the FL team can not undertake writing itself.
FL	The changes to the Massachusetts solution and approach required to meet the Florida business requirements are greater than originally forecasted in our proposal.	Delays in creating the design resulting in an overall delay in the schedule.
FL	The System Testing effort is greater than originally estimated and needs to be re-evaluated.	Schedule delays in the overall project schedule.

**Deloitte.** - 13 -

Source: Deloitte UI Summit Presentation, April 10<sup>th</sup>/11<sup>th</sup>, 2012

During the May 9, 2012 ESC meeting, McCullion relayed the information received from the UI Summit to the ESC. McCullion stated that all three states’ (Massachusetts, New Mexico, and Florida) implementations were behind schedule. New Mexico was currently five months behind, and Massachusetts was two years behind. McCullion also stated that the CONNECT Go-Live date of December 2012 would not be achieved. A new tentative Go-Live date of September 2013 was established contingent on the submittal and acceptance of Deloitte’s revised Corrective Action Plan (CAP).<sup>68</sup> A final CAP was proposed by Deloitte on June 8, 2012.

An email sent on June 11, 2012 from McCullion to the other members of the Project Leadership Team contained a document with preliminary observations of Deloitte’s proposed CAP to DEO. Among the observations was that the State of Florida did not receive a transfer solution that was implied to be in production in another state. (See Figure 31.)

<sup>68</sup> On February 23, 2012 DEO issued a formal letter requesting Deloitte create a Corrective Action Plan.

**Figure 31: Excerpt from McCullion Email, June 11, 2012**

- 3) "DEO acknowledgement and leadership commitment that the Connect solution is a transfer solution, and as such there are artifacts that meet DEO's high level requirements as-is and will not require changes that are not material to the functioning of the solution."
- a. This is a critical issue. A transfer solution implies the system is working in production elsewhere. That is not the case. In addition, it has been demonstrated that the core solution (uFACTS) is unstable and does not provide the required functionality. This implementation needs to be treated as a build from scratch and any functionality/technology sourced from uFACTS needs to be addressed with skepticism.

Source: Email from McCullion to Project Leadership Team, June 11, 2012

On June 13, 2012, DEO rejected the proposed CAP. Based on the rejection of the final CAP, DEO issued a Notice of Intent to Terminate<sup>69</sup> the contract for cause to Deloitte on June 15, 2012. The Notice of Intent stated:

*The contract requires completion of the implementation phase (Go-Live) in December 2012. Currently, Deloitte anticipates a Go-Live date of October 2013. This currently estimated ten-month delay is more than the parties bargained for. Moreover, it is apparent that the Go-Live date will be even later, because the Department has rejected the final design deliverables submitted on May 23, 2012, and the CAP.*

*Deloitte promised that the uFACTS solution, with modifications, would meet the business needs specified in the contractual Requirements Definition Document. The struggles during the design phase have cast the solution into doubt. Furthermore, Deloitte's demonstrated inability to implement the solution in other jurisdictions has undermined the Department's confidence that Deloitte will successfully complete the implementation phase in Florida. The Department contracted for a viable, proven solution. **It now appears that the Department is being asked to fund a software development project with limited prospects for success. [Emphasis Added]***

*As noted in the contract, Rule 60A-1.006 governs the procedure and consequences of default. This letter serves as the initial notice of the Department's intended action. The Department will take the next step in the process unless, within 30 days from the date of this letter, Deloitte cures its failures and demonstrates to the Department the reasonable likelihood of successful, timely, project completion. If Deloitte fails to do so, the Department will issue a second notice finding Deloitte in default and removing Deloitte from the Department's approved vendor list. Before the Department's decision becomes final agency action, Deloitte will have an opportunity to petition for an administrative hearing pursuant to section 120.57, Florida Statutes.*

After the Notice of Intent to Terminate, DEO approved and accepted Deloitte's CAP, which was incorporated into Amendment 7. This amendment extended the completion of

<sup>69</sup> See Attachment 6.



the DDI phase to October 28, 2013; assessed \$1,965,000 in liquidated damages; and, included an additional reduction in total contract payments to Deloitte of \$2,500,000.

In March 2011, when DEO executed the CONNECT contract with Deloitte, a mature .NET uFACTS solution had not been implemented in Massachusetts.<sup>70</sup> The Massachusetts uFACTS solution experienced delays and was implemented in July 2013, or approximately 24 months later than reported in Deloitte's July 2010 ITN response. Florida's uFACTS solution went live three months after Massachusetts uFACTS solution went live.

As part of our review, Tom McCullion was asked "Did the change from Java to .NET have an impact on the delay of the CONNECT project?" He responded that in retrospect he thinks AWI should have stuck with the Java version of uFACTS. McCullion went on to say that at the time AWI signed the contract, Massachusetts and New Mexico had already signed contracts with Deloitte and were further in the timeline of implementation of their new systems. According to McCullion, AWI and the other two states had experience in .NET and wanted a .NET solution. He thinks that due to the delay of the conversion from Java to .NET in Massachusetts, DEO did not get as mature a solution as they had been promised.

In a follow-up interview with McCullion, he stated that early in the project we [DEO] did not know the lack of maturity of the .NET Code for Florida. The CONNECT project leadership team did know that Deloitte was behind schedule in Massachusetts. AWI had expected implementation and customization to meet AWI's requirement to be done on a mature code base after it was implemented in Massachusetts and New Mexico, which did not happen. McCullion further stated the expectation was that Massachusetts would "take all the hits" on the conversion from Java to .NET and that New Mexico and Florida would benefit from that.

With regards to implementation issues on the project, Doug Darling<sup>71</sup> stated "the State was promised a fully functional system that had been implemented in other states but instead got a system that was under development."

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<sup>70</sup> Based upon the projected August 2011 finish date of the Massachusetts uFACTS solution.

<sup>71</sup> Former Executive Director of DEO, October 1, 2011 to January 31, 2012.

**Issue 3: Deloitte’s Staffing Issues Caused Significant Delays in Florida**

We determined Deloitte’s staffing on the CONNECT Project was delayed and over extended due to implementations of uFACTS in other states. Due to these staffing issues, as well as the issues described in Issue 2, implementation in Florida was delayed.

Deloitte’s ITN response included a proposed solution implementation team. The lack of available and experienced Deloitte UI resources was questioned by DEO. On August 2, 2011, McCullion prepared a Risk Identification and Initial Analysis document titled “Availability of Experienced Deloitte UI Resources.” (See Figure 32.)

**Figure 32: CONNECT Project Risk 31a**

Risk Identification and Initial Analysis	
Date Opened:	August 2, 2011
Risk ID#:	31a
Risk Name:	Availability of Experienced Deloitte UI Resources
Risk Description:	Concerns that the project may not have the appropriate number of experienced UI resources assigned to meet deliverables expectations.
Related Risks:	Other State UI implementations concurrent with Connect may have the potential to create resource conflicts.
Event That May Trigger the Risk:	Not enough resources to carry on the Joint Application Design sessions; incomplete JAD deliverables.
Timeframe for Possible Occurrence:	August through December 2011.
Assigned To and Date:	Tom McCullion – August 2, 2011
Probability:	Medium <i>(High, Medium or Low)</i>
Impact:	High <i>(High, Medium or Low)</i>
What the Impact Could Be:	Incomplete JAD deliverables cause the Design Phase Gate to be missed and project timeline delayed.
Response Option:	Mitigate <i>(Avoid, Mitigate, Transfer, Accept)</i>
Timeframe for Response Plan to Be in Place:	August 2, 2011
Risk Closed:	Closed on 9/15/11 with identification of Issue #5 Availability of Experienced UI Resources
Risk Response Plan	
Strategies and Actions Needed to Monitor and Manage the Risk:	Deloitte has committed to ensuring the right JAD analysts and scribes are available for each JAD session. Deloitte has stated that there are no resources conflicts between Florida and other State projects at this time. The AWI and North Highland Leads will immediately document a concern is the JADs are not sufficiently supported.
<i>Attach other material as needed to understand the risk and associated response plan</i>	

Source: Risk Identification and Initial Analysis, August 2, 2011

On September 14, 2011, the risk was escalated<sup>72</sup> into a project issue. (See Figure 33.)

<sup>72</sup> In McCullion’s framework for preparing the Risk Identification and Initial Analysis, risks and issues are closely related, in that a risk is an area of concern identified that may or may not be realized. An issue is a realized concern that may have been identified previously as a risk or may not have been previously identified.

**Figure 33: Excerpt from Issue 5**

<b>Issue Description:</b>	Realization of Risk #31 - Concerns that the project may not have the appropriate number of experienced UI resources assigned to meet deliverables expectations.
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Source: Issue Identification and Initial Analysis, September 14, 2011

On October 10, 2011, McCullion closed Issue 5 when Deloitte provided eight Business Analysts.

In December 2011, Deloitte's internal Quality Assurance (QA) review documented the delay in the completion of the Massachusetts' project and delayed transfer of staffing resources to Florida. The QA review contained the following statements regarding the delay:

*Tom [McCullion] removed [closed] the staffing issue on the client steering committee side, noting that the recent addition of functional and technical resources has made him more comfortable with the overall staffing level. He has the expectation now that Siva [Sambasivam]<sup>73</sup> will be joining the project fulltime after the MA go-live in February [2012], and David Minkkinen confirmed that the plan is to have Siva transition from MA to FL after the upcoming MA go-live.*

*It's clear that Tom sees Siva as a key member of the team going forward, providing key knowledge and experience that will help ensure success in FL.*

The following Deloitte QA review performed on February 20, 2012 reported that a lack of a seasoned Development Manager remains a significant risk to the project.

On February 23, 2012, DEO issued a formal letter requesting Deloitte create a Corrective Action Plan "because project deficiencies appear of significant magnitude to impede implementation of the Project." The project deficiencies included:

*Siva Sambasivam, Deloitte's Technical Lead and "key personnel" per Contract Scope of Work Section 7.8, has been on site **only [Emphasis added]** four days since project inception. This has caused increasing risk to the project as we progress through the Development Phase.*

Sambasivam was proposed by Deloitte as their Technical Lead for the CONNECT project which was planned from February 28, 2011 to February 2014. (See Figure 34.)

<sup>73</sup> Deloitte's Technical Lead

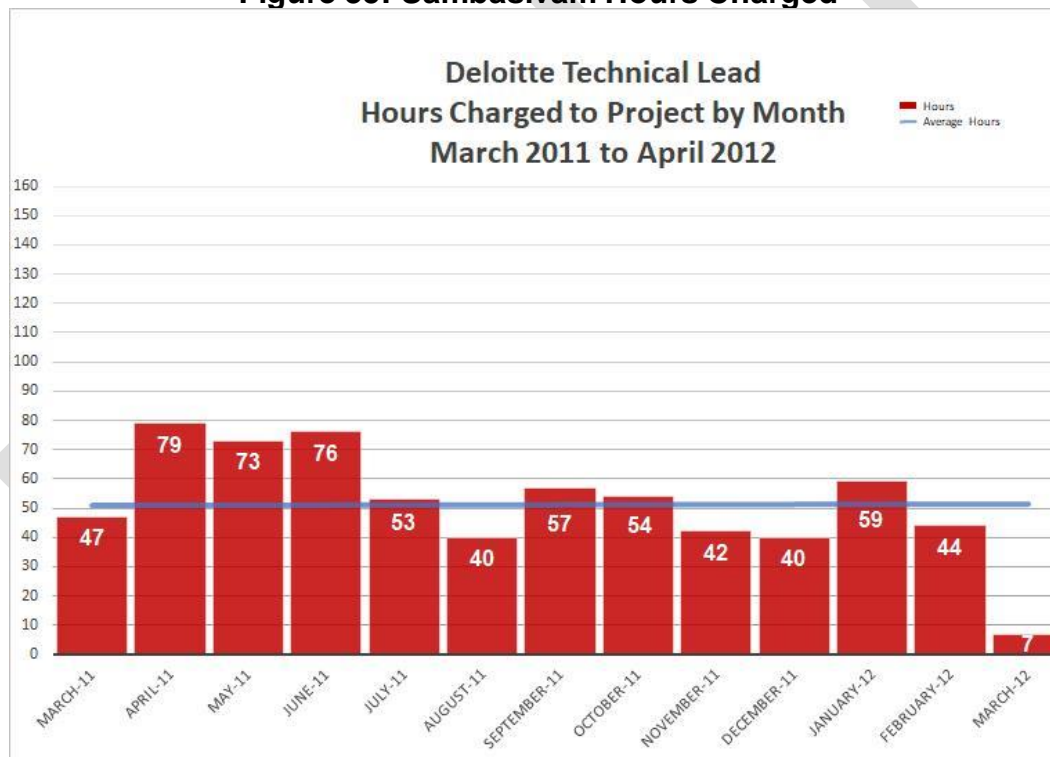
**Figure 34: Excerpt from Deloitte’s ITN Response**

<b>Name</b>	Siva Sambasivam (Key Staff)
<b>Role</b>	Technical Lead
<b>Duration</b>	Begin Date: February 28, 2011; End Date: February, 2014
<b>Experience</b>	Mr. Sambasivam is a Senior Manager in Deloitte’s State Government Consulting Practice, focused within Deloitte’s National Labor and Employment Practice. Mr. Sambasivam is currently the Technical Lead for Deloitte’s UC Modernization implementation project in the Commonwealth of Massachusetts. He also held that position for Deloitte’s UC Modernization implementation project in the State of Minnesota and is the uFACTS Technical Advisor for the New Mexico UI Tax Modernization Project.
<b>Tenure</b>	Mr. Sambasivam has been with Deloitte one year (and 13 years with BearingPoint)

Source: Deloitte’s ITN response, July 2010

Deloitte’s staffing hours documentation indicate that Sambasivam was not assigned full-time to the CONNECT project and averaged only 51 hours of work per month to CONNECT from March 2011 to March 2012. (See Figure 35.)

**Figure 35: Sambasivam Hours Charged**



Source: Deloitte document request, August 21, 2020

When asked if there was a frustration with the lack of promised personnel, McCullion stated there was frustration and it became an issue. He further stated that Sambasivam was running out of hours in the day. Given the specialized product, Sambasivam was the prime resource and was sought after by everyone. McCullion also stated Deloitte did not have multiple system architects with the same knowledge and experience level as the current technical staff assigned to the CONNECT project.

#### Issue 4: Independent Verification & Validation Services Were Neither Fully Independent nor Adequately Rigorous

We determined Independent Verification & Validation Services (IV&V), as established by DEO for this project, provided by EY, were neither fully independent nor adequately rigorous. In addition, we determined IV&V oversight responsibilities were reduced by DEO mid-contract including scope of services and the frequency in oversight reporting prior to Go-Live. Due to issues outlined later in this report, on November 25, 2015, DEO and EY executed a dispute of services Settlement Agreement where EY agreed to pay DEO \$500,000.

The 2009 Feasibility Study recommended that a full-scale Independent Verification and Validation effort be in place throughout the life of the project. (See Figure 36.)

**Figure 36: Excerpt from Feasibility Study**

##### 6.7 EXTERNAL PROJECT OVERSIGHT

*Purpose: To understand any unique oversight requirements or mechanisms required by this project.*

A full-scale Independent Verification and Validation (IV&V) effort will be in place throughout the life of the project. The purpose of IV&V is to provide an unbiased review and assessment of the project to help ensure it is meeting its desired goals, it adheres to internally documented or recognized industry standards and guidelines, the products or deliverables meet the requirements and are of high quality, appropriate controls are defined and utilized, and that the stakeholders in the process are effectively involved and aligned. Specific objectives of the IV&V effort for this project will include:

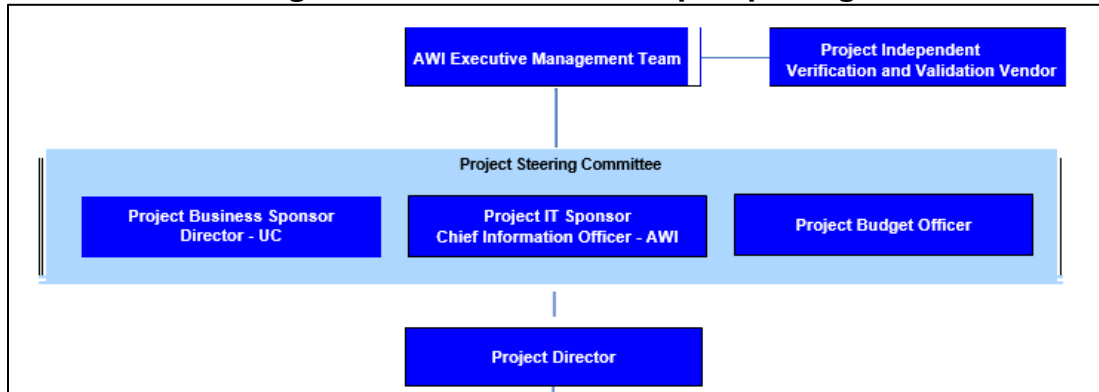
- Providing validation that the awarded implementation vendor:
  - Complies with the terms of the contract,
  - Performs and provides deliverables to the satisfaction of AWI,
  - Fulfills the technical and non-technical requirements of the contract,
  - Completes the project within the expected timeframe,
  - Demonstrates value and is committed to achieving the goals outlined by AWI, and,
  - Acts in the best interests of AWI and surfaces issues in a timely and comprehensive manner.
- Providing an independent, forward looking perspective on the project by raising key risks, issues and concerns and making actionable recommendations to address them.
- Enhancing management's understanding of the progress, risks and concerns relating to the project and providing information to support sound business
- Provide ongoing advice and direction to the Executive Management Team, the Project Steering Committee, the Project Director and AWI Executive Leadership throughout each phase of the project.

In addition, the AWI Project Management Team will work closely with the Technology Review Workgroup (TRW) and the Office of Policy and Budget (OPB) to ensure that sufficient external project oversight is established and maintained.

Source: 2009 Schedule IV-B Feasibility Study

The Feasibility Study had a proposed organizational relationship structure where the IV&V reported directly to AWI's Executive Management. (See Figure 37.) However, the IV&V reported to a Vendor Relationship Manager and then to the CONNECT Project Director.

**Figure 37: IV&V Relationship Reporting**



Source: 2009 Schedule IV-B Feasibility Study

### **Lack of Managerial Independence**

Other governmental agencies, such as the National Aeronautics and Space Administration (NASA), utilize IV&V contractors on their projects and have defined the IV&V's roles and responsibilities. NASA refers to the following independence definition as provided by the Institute of Electrical and Electronics Engineers (IEEE).

IEEE defines independence in IV&V as three parameters: technical independence, managerial independence, and financial independence.

- Technical independence is achieved by IV&V practitioners who use their expertise to assess development processes and products independent of the developer.
- Managerial independence requires responsibility for the IV&V effort to be vested in an organization separate from the organization responsible for performing the system implementation. The IV&V effort independently selects the segments of the software and system to analyze and test, chooses the IV&V techniques, defines the schedule of IV&V activities, and selects the specific technical issues and problems to act upon. Most projects view IV&V as sufficient and do not recognize the added value the independence brings.
- Financial independence requires that the IV&V budget be vested in an organization independent from the development organization.

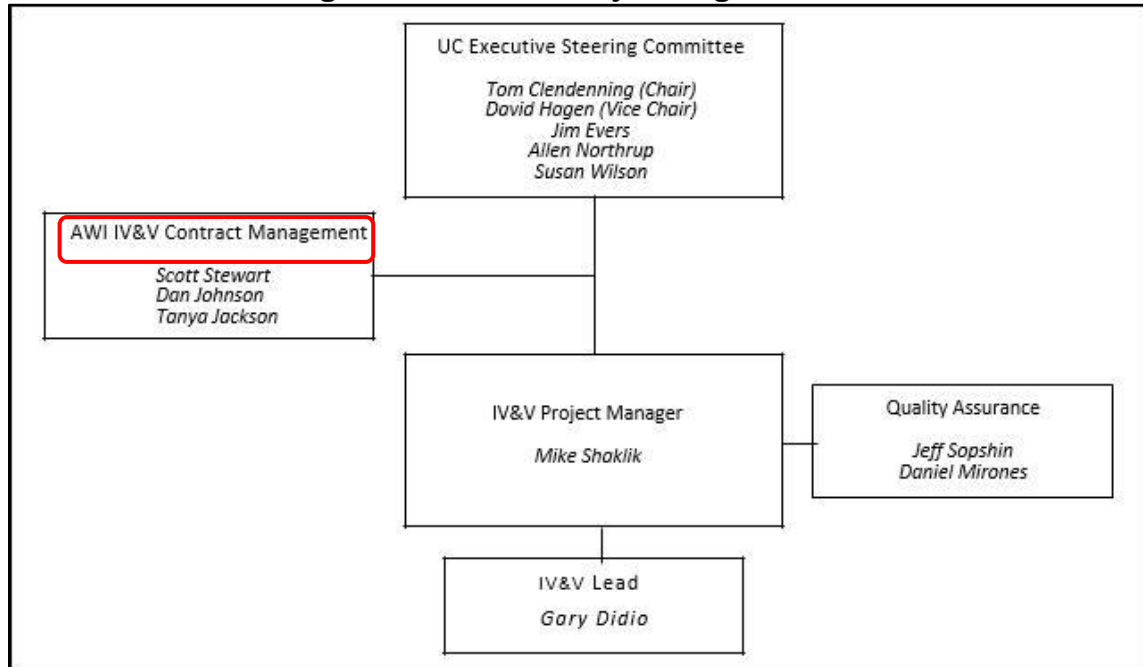
The lack of managerial independence was introduced into the project when the IV&V was required by AWI to submit reports to a Vendor Relationship Manager<sup>74</sup> who was

<sup>74</sup> Tanya Jackson, KLC Consulting.



contractually required to report to CONNECT’S Project Director.<sup>75</sup> Additionally, EY’s IV&V Project Management Plan showed the IV&V and IV&V Contract Manager reporting to the ESC and not AWI Executive Management or CONNECT’s Project Director. (See Figure 38.)

**Figure 38: Actual Project Organization**



Source: IV&V Project Management Plan, October 29, 2010

**Abbreviated IV&V Contract Period**

The Project consisted of three high-level Performance Periods: (i) DDI Performance Period; (ii) Warranty Performance Period; and (iii) Operations Performance Period. The 2009 Feasibility Study, Section 6.7, External Project Oversight, proposed that:

***A full-scale Independent Verification and Validation (IV&V) effort will be in place throughout the life of the project. [Emphasis Added]***

Although a key task of the IV&V was to determine and report on contract compliance,<sup>76</sup> the IV&V services for the CONNECT project concluded on October 31, 2013<sup>77</sup> with the submission of a “Lessons Learned” report. As of that date, DEO had not approved the final implementation Phase Gate for the DDI Performance Period due to software defect issues. With IV&V services ending during the DDI Performance Period, there was no independent oversight or contract compliance verification for the conclusion of the DDI Performance Period or the Warranty Performance Period.

<sup>75</sup> AWI Purchase Order, A61A23, Scope of Work.

<sup>76</sup> Project Management Plan, IV&V Project, Unemployment Compensation Project – Phase 3, October 29, 2010.

<sup>77</sup> Two weeks after the Go-Live implementation of the CONNECT system.

Additionally, key contract compliance matters still existed during the Warranty Period. For example, contract provision Section 9.2, Contractor Warranty Support Responsibilities, contains the following requirements:

- *Responsible for maintenance and operations of the UC Solution as specified in Section 12.1 of this Scope of Work for the remainder of this Performance Period;*
- *Prepare warranty support deliverables;*
- *Revise warranty support deliverables as a result of the review and approval process;*
- *Correct defects to approved designs in the UC Solution including all levels of retesting and making all the corresponding documentation changes;*
- *Coordinate with the third party software and hardware providers relative to any problems identified in the hardware or third party software;*
- *Test the updated solution and install or update the changes on the UC Solution; and,*
- *Continue to follow the Change Control process as defined for any scope changes.*

Each of these could have benefitted from IV&V oversight.

### **Reduction of IV&V Scope of Services due to Project Delay**

EY was contracted to provide IV&V services during Phase 2 and Phase 3. During Phase 3, EY was required to provide the following deliverables:

- 33 Monthly Assessment Reports (MAR)<sup>78</sup> from July 2010 to March 2013. IV&V services were originally contracted to end April 2013, or approximately 4 months after planned Go-Live of December 2012.
- Eight evaluation Deliverable Review Reports for the following project activities:
  - Project Management documents
  - Requirements validation
  - Design documents
  - Development
  - Testing plan
  - Data conversion plan
  - Training plan
  - Implementation plan

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<sup>78</sup> MAR report is a summary of the findings and recommendations resulting from ongoing monitoring activities of the UC Phase 3 IV&V Project. The report will summarize the assessment of the project organization and project management activities as well as describe how each key project characteristic has evolved since the last MAR report.

On July 16, 2012, Deloitte and DEO executed Amendment 7 to the contract which delayed the Go-Live date from December 2012 to October 2013, or ten months. As a result of the time extension and budgetary constraints, on September 28, 2012, DEO issued Purchase Order A683B5 eliminating four of EY's eight required Deliverable Review Report deliverables. The Deliverable Review Report deliverables eliminated were for Design Documents; Development; Data Conversion Plan; and the Training Plan. Additionally, the number of MARs were increased from 33 to 36. (See Figure 39.)

**Figure 39: Excerpt from IV&V Cost Price Analysis**

2. Due to delays in the UC Modernization/UC Connect Project, the Department had to realign and reduce the deliverables of the Ernst & Young IV&V portion of the contract which resulted in a contract reduction of \$415,413.80.

Source: Purchase Order A683B5, September 28, 2012

DEO reduced the scope of work for EY leading up to the October 15, 2013 Go-Live date, resulting in an MAR being required every other month, instead of monthly, beginning in January 2013. The months for which no MARs were prepared were February, April, June, and August of 2013. Figure 40 shows the changes made to EY's scope of work.

**Figure 40: Excerpt from Cost Response/Cost Sheet**

Deliverable: Monthly Assessment Reports (estimated 36 reports) <i>36 @ \$41,455.60 =</i>	Fifth (5th) business day of every month	\$4,368,004.00 <i>\$1,492,401.60</i>
Deliverable: Deliverable Review Reports		
• Project Management Documents	Five (5) business days after receipt of deliverable	\$31,306.15
• Requirements Validation <i>delivered FY 11/12</i>	Five (5) business days after receipt of deliverable	\$31,306.15
• Design Documents	Five (5) business days after receipt of deliverable	<del>\$31,306.15</del>
• Development	Five (5) business days after receipt of deliverable	<del>\$31,306.15</del>
• Testing Plan	Five (5) business days after receipt of deliverable	\$31,306.15
• Data Conversion Plan	Five (5) business days after receipt of deliverable	<del>\$31,306.15</del>
• Training Plan	Five (5) business days after receipt of deliverable	<del>\$31,306.15</del>
• Implementation Plan	Five (5) business days after receipt of deliverable	\$31,306.15
Total Cost for Project		\$1,840,798.05

*Handwritten notes:*

- \$60,079.51 RA FY 12/13 13/14*
- \* FY 12/13*
- \* FY 13/14*
- \* Monthly Assmt. Rept Aprx. 33 Repts*
- FY 10/11 = 12 Repts*
- FY 11/12 = 12 Repts*
- \* FY 12/13 = 9 Repts @ \$41,455.60 = \$373,100.40*
- \* FY 13/14 = 3 Repts @ \$41,455.60 = \$124,366.80*

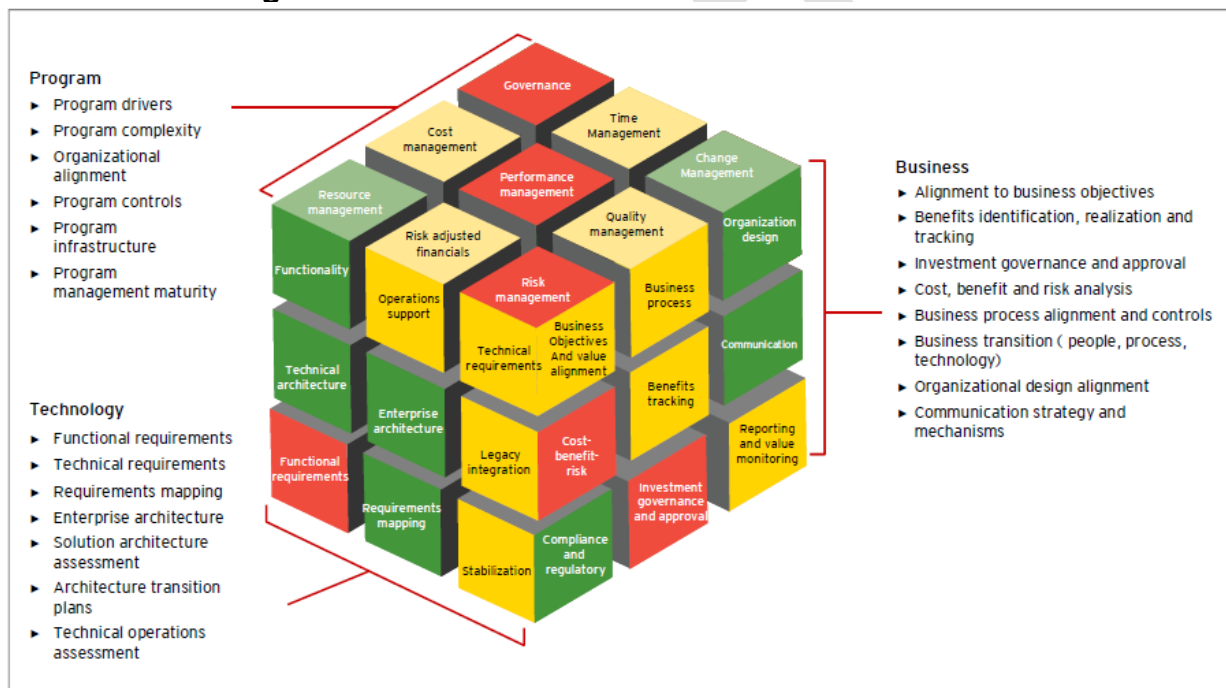
Source: Purchase Order A683B5, September 28, 2012

EY submitted the last MAR, for the September 2013 period, on October 7, 2013. As reported under the IV&V Contracted Period section above, on October 30, 2013, EY submitted the Lessons Learned report,<sup>79</sup> the final MAR deliverable for the CONNECT project as required.

**IV&V Reporting of Project Risks and Issues**

In the IV&V Project Management Plan issued on October 29, 2010, EY explained the overall IV&V methodology and testing approach includes a multidimensional evaluation of the risk interdependencies between business, program, and technology factors. In total there were 27 factors used to assess the status of the project. (See Figure 41.)

**Figure 41: Multidimensional IV&V Framework Cube**



Source: IV&V Project Management Plan, October 29, 2010

The color codes used were designed to provide a quick interpretation of the IV&V's assessment of the CONNECT project. As shown above, the colors were defined as:

<sup>79</sup> Counted as one of the 36 MARs.

**Figure 42: Color Code Definitions**

<b>Red</b>	Indicates that the area being assessed has critical issues that will result in significant risk to the project most likely resulting in either the inability to achieve the outcomes, inability to meet the project schedule, or significant cost over-run. Required immediate action.
<b>Yellow</b>	Indicates that the area being assessed has issues that need to be resolved; inefficiencies exist. Current process/method can be used with refinement.
<b>Green</b>	Indicates that the area being assessed did not have significant issues to report. Continued monitoring should be performed.
<b>Grey</b>	Indicates that the area being assessed has incomplete information available for a conclusive finding or is not applicable.

Source: IV&V Management Assessment Reports

During the IV&V contract period, 35<sup>80</sup> MARs issued from July 2010 through September 2013 included a Multidimensional IV&V Framework cube indicating the status of each factor as Red, Yellow, Green, or Grey.

From the 35 MARs issued, there were 945 total reported factors. The breakdown of the factors reported were: six Reds; 46 Yellows; 771 Greens; and 122 Greys. From July 2012<sup>81</sup> through September 2013, EY reported all “Green” factors, or no significant issues to report. (See Attachment 1.)

Beginning on April 13, 2012, North Highland began including in their weekly status reports a color-code system to track the overall health trend of the CONNECT project. (See Figure 43.)

**Figure 43: North Highland Color Codes**

<b>“Red”</b>	<i>signifies significant risk to the project objectives and schedule</i>
<b>“Yellow”</b>	<i>signifies issues exist that need to be resolved that could threaten schedule completion</i>
<b>“Green”</b>	<i>signifies all tasks are on track and will be completed on time with no significant issues</i>

Source: North Highland Status Reports

North Highland issued 65 weekly status reports between April 13, 2012 and October 15, 2013 (Go-Live date). North Highland reported 42 percent<sup>82</sup> of the time an overall project health trend status of “Yellow.”

When compared to EY’s IV&V color-coded reporting, the EY assessment report for October 2013 showed Green for 27 of 27 total factors. While the North Highland reports

<sup>80</sup> The final MAR, the “Lessons Learned Report” included the final Multidimensional IV&V Framework cube from the September 2013 MAR.

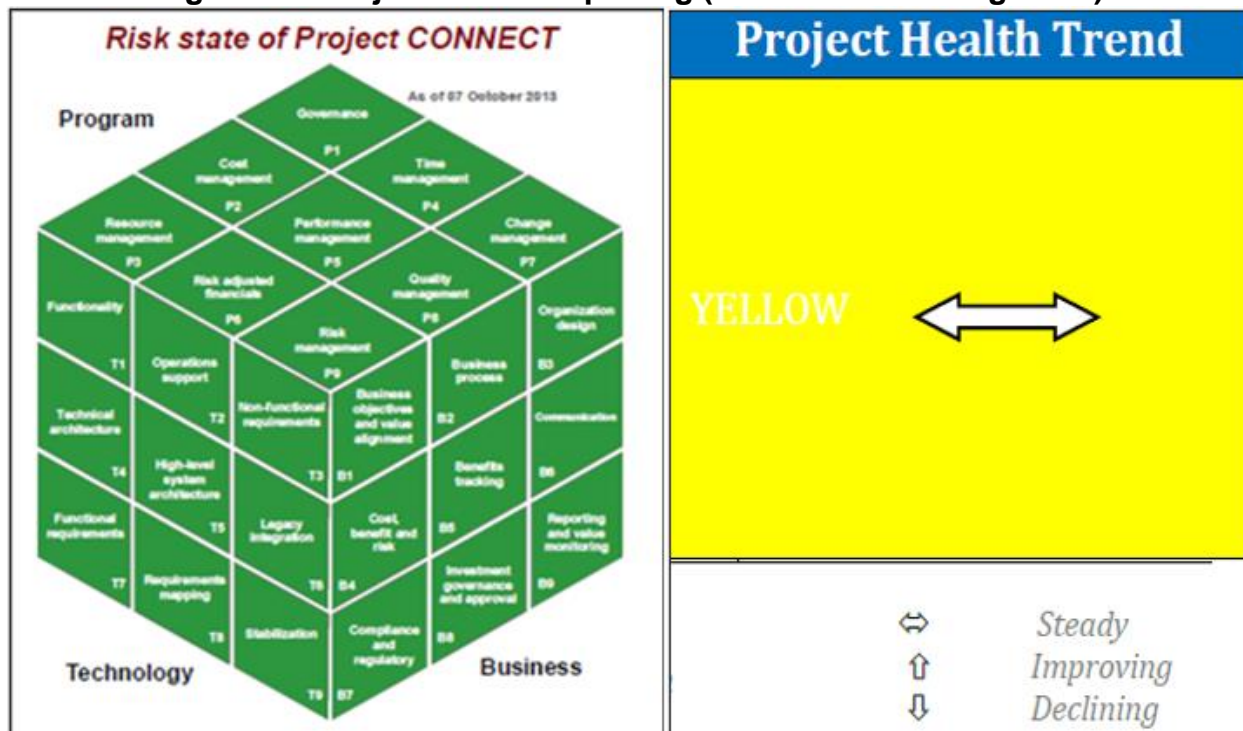
<sup>81</sup> Amendment 7 with Deloitte was executed in July 2012.

<sup>82</sup> Attachment 1.



leading up to Go-Live listed an overall status of Yellow based on multiple High and Medium risks, indicating items required resolution. (See Figure 44 and Attachment 1.)

**Figure 44: Project Health Reporting (IV&V and North Highland)**



Source: IV&V September 2013 MAR and North Highland’s October 15, 2013 Status Report

**Lack of Project Personnel Interviews**

As part of EY’s oversight responsibilities, EY’s Project Charter reported IV&V project tasks in Table 1 and described that interviews would be conducted on a regularly scheduled basis. (See Figure 45.)

**Figure 45: Excerpt from IV&V Project Charter**

Table 1. IV&V project tasks	
Task	Description
Meetings	<p>Includes the following:</p> <ul style="list-style-type: none"> <li>▶ Attendance at project staff meetings to gain an understanding of the UC Phase 3 Project and discuss how, given the particular characteristics of the project and available funding, the IV&amp;V tasks should be applied to the project.</li> <li>▶ Interviews with the project manager and staff members of the user and stakeholder groups, application developers (contractors and/or State employees), and management on a regularly scheduled basis.</li> <li>▶ Attendance at critical project events, as defined by AWI’s Executive Management Team and/or designee.</li> <li>▶ Preparation and distribution of meeting minute reports upon completion of any formal meeting conducted.</li> </ul>

Source: EY Project Charter, UC3-01 V2.0- 20101015, Page 5 Table 1. IV&V project tasks



According to their final MAR “Lessons Learned” report dated October 30, 2013, EY did not report any CONNECT project staff or any other contractor’s personnel assisting in the implementation were interviewed after April 26, 2011.<sup>83</sup>

From May 2011 to the September 2013, EY’s MAR reports contained a table to list the individuals interviewed to support their assessment for each month. However, the table was not populated in the MARs indicating no persons were interviewed. (See Figure 46.)

**Figure 46: Excerpt from May 2011 IV&V MAR**

**Appendix F. Interviewees and artifacts**

This section contains the list of people interviewed and artifacts collected in support of the monthly assessment.

The below table identifies additional interviews conducted during the monthly reporting period.

Table 17. Interviews conducted			
Individual	Title / responsibility	Group	Date
None			

Source: May 2011 IV&V MAR report

**DEO and EY 2014 Settlement Agreement**

On November 24, 2015, EY agreed to a Settlement Agreement and Release with DEO wherein EY paid DEO \$500,000 to resolve concerns over EY’s performance as IV&V contractor. The Settlement Agreement was the result of meeting and correspondence with EY which was initiated by DEO’s General Counsel in July 2014. (See Attachment 2.)

In a letter from DEO’s General Counsel Robert Sechen to EY dated July 30, 2014 DEO stated:

*DEO selected EY as the vendor to provide IV&V services for Project CONNECT. EY was responsible for presenting DEO with an independent, third-party opinion on the health and status of the project. Almost immediately after Go-Live, Project CONNECT experienced several high-impact defects. EY is potentially liable for damages to DEO due its failure to identify and warn of issues with Project CONNECT.*

DEO’s General Counsel listed and included specific contractual provisions and quotes from EY MAR reports, which in his opinion, created liability to EY. The following quotes were included in the letter:

<sup>83</sup> Table 18, Interviews Conduct Phase 3. In EY’s Lessons Learned report the meetings attended were listed.

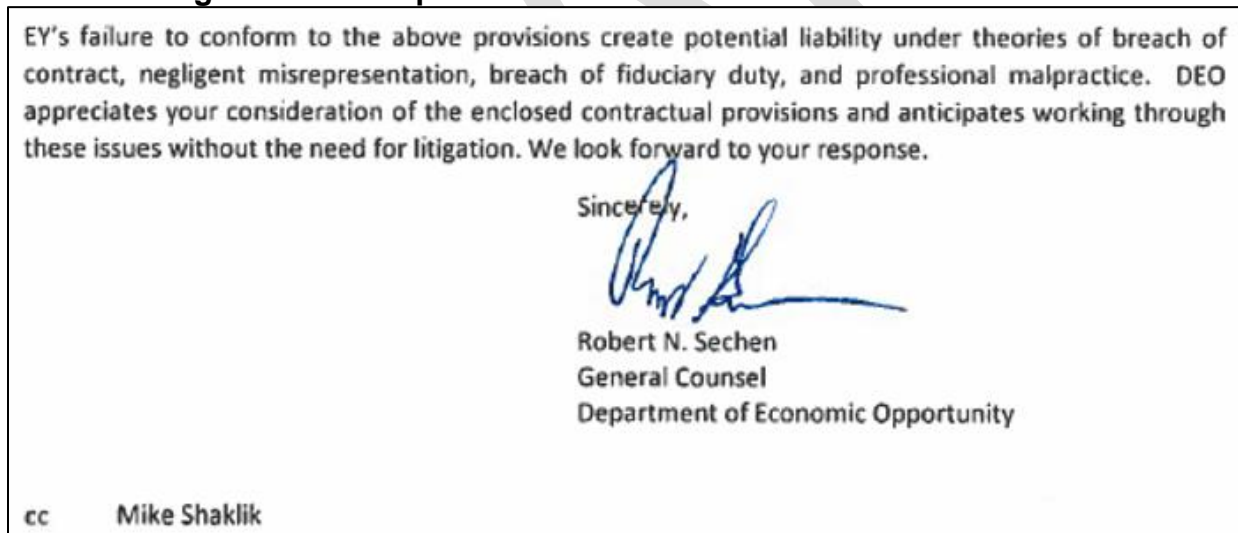
- EY advised that “[t]here are currently no deficiencies with the PC implementation deliverables that might impact the project’s quality, timeline and scope.”
- EY advised that “[o]verall IV&V risk state for the project is Green (no issues).”

In a letter from EY’s Associate General Counsel William Barrett to DEO’s General Counsel dated September 26, 2014,<sup>84</sup> EY’s reply included the following statements:

- ...we understand that the System went live in October 2013, and that after going live certain problems with the System were identified. To date, however, EY is neither aware of the specific “problems” relating to the System after it went live, nor what, if any, corrective measures were taken.
- ...we remain confident that EY fully satisfied its obligations under the Contract and met the appropriate professional standards in performing work under the Contract.

In the letter, DEO’s General Counsel also summarized EY’s potential liability in the dispute regarding IV&V services provided on the CONNECT project. (See Figure 47.)

**Figure 47: Excerpt from DEO General Counsel’s Letter to EY**



Source: DEO General Counsel letter dated July 30, 2014

Based upon review DEO’s General Council’s correspondence, it was noted that the correspondence listed contract expectations from the RFQ that were violated. However, the correspondence did not disclose that four of EY’s eight Deliverable Review Reports were deleted from EY’s scope of services on September 28, 2012. (See Figure 40.) Additionally, the correspondence did not acknowledge that DEO reduced the scope of

<sup>84</sup> Attachment 3.

work for EY leading up to the October 15, 2013 Go-Live date, resulting in an MAR being required every other month, instead of monthly, beginning in January 2013. The months for which no MARs were prepared were February, April, June, and August of 2013. (See Figure 40.)

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**Issue 5: The Number of Fatal and Severe System Defects at Go-Live Exceeded Contractual Requirements**

**We determined Deloitte’s project documentation indicated the number of known fatal and severe system defects at Go-Live were greater than allowed in the contract and amendments.**

The contract provisions in Section 11, Deliverables, requires there be “0” (Zero) “Fatal” defects for entering Go-Live and the 12-month Warranty Performance Period. For “Severe” and “Trivial” defects, the decision for entering Go-Live was to be mutually agreed upon. As previously discussed, the types and definitions of defects were based on their level of impact on system functionality and were classified as “Fatal”, “Severe”, and “Trivial”.

The defect types were defined as follows:

Defect Type	Description
Fatal	Material error that causes loss of essential functions for which no work around exists within the UC Solution. Error that causes loss of data or creates unusable data.
Severe	Error that disables essential functions but for which a work around exists within the UC Solution. Error that materially violates specifications.
Trivial	Error that disables non-essential or cosmetic functions.

Source: AWI Executed Contract C0369

Section 11 of the contract further defines a defect as a deviation from approved designs and is frequently referred to as a “fault” or “bug”.

Four days before Go-Live, Amendment 13 was executed on October 11, 2013. The amendment expanded the types of defect classifications from three to four types. Trivial defects, initially defined as “disabled non-essential functions” defects and “cosmetic defects” were redefined in separate groups as Medium and Low defect types.

The new defect types and definitions per the Amendment were:

- From “Fatal” to “Critical”, which is a material error that causes loss of essential functions for which no workaround exists within the UC Solution. Error that causes loss of data or creates unusable data.
- From “Severe” to “High”, which is an error that disables essential functions but for which a workaround exists with the UC Solution. Error that materially violates specifications.
- Medium, error that disables non-essential functions.
- Low, errors that are cosmetic functions.

Amendment 13 also added that no more than 25 “High” defects were allowed for entering Go-Live. “Medium” and “Low” defects, the decision for entering Go-Live shall be mutually agreed upon. (See Figure 48.)

**Figure 48: Defect Performance Measures Prior to Go-Live**

Contract No. C0369, Amendment No. 13

Ref#	Measure Description	Measure Metric(s)	Frequency of Measurement
4	<p>The UC Solution shall have 0 “Critical” Defects, and no more than 25 “High” Defects for entering “go-live”.</p> <p>The assignment of Defect type shall be mutually agreed upon.</p> <p>Note: For “Medium” and “Low” Defects, the decision for entering “go-live” shall be mutually agreed upon.</p>	<p>Calculated as “Total number of Defects classified as ‘Critical’”.</p> <p>Calculated as “Total number of Defects classified as ‘High’”.</p>	Prior to go-live.

Source: Amendment 13, Section 11.8

An analysis was conducted of a spreadsheet provided in a document request from Deloitte. The spreadsheet identified the following defects tracking information:

- Defect ID
- Detected On
- Closed On
- Severity
- Status
- Summary

The spreadsheet listed 11 Fatal defects as being detected on October 14, 2013, or the day prior to Go-live. (See Figure 49.)

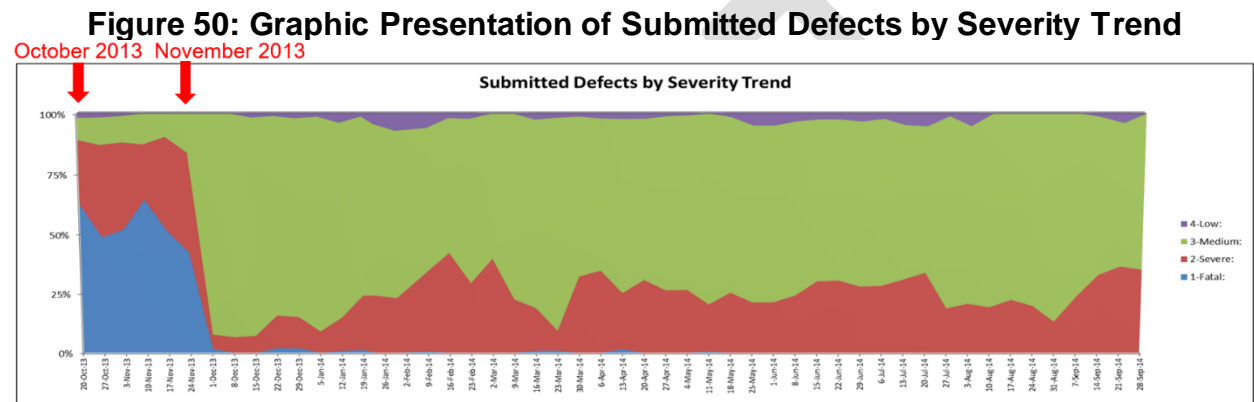
**Figure 49: Deloitte Defects Spreadsheet**

	A	B	C	D	E	F
1	DefectID	DetectedOn	ClosedOn	Severity	Status	Summary
675	28318	10/14/2013	11/22/2013	1-Fatal	Closed	no work groups available
677	28320	10/14/2013	01/27/2014	1-Fatal	Closed	Process Overpayment Repayment hyperlink is missing - Security Role Issue
679	28322	10/14/2013	01/13/2014	1-Fatal	Closed	Collection Status and Establish and Manage Claimant Bankruptcy is missing - Security Issue
681	28324	10/14/2013	11/05/2013	1-Fatal	Closed	DEO Staff role/access issue
684	28327	10/14/2013	01/13/2014	1-Fatal	Closed	Unable to view Benefit Payment Details nor navigate page by page. - Security Role issue BPC Staff
685	28328	10/14/2013	01/27/2014	1-Fatal	Closed	Unable to file employer appeal on a legacy determination
687	28330	10/14/2013	01/29/2014	1-Fatal	Closed	Address on Fact finding City - State and Zip should be in same line.
688	28331	10/14/2013	01/27/2014	1-Fatal	Closed	Address on Fact finding City - State and Zip should be in same line.
689	28332	10/14/2013	10/31/2013	1-Fatal	Cancelled	System is incorrectly not assigning issues to staff when the issue is created from the Program Integrity>BPC Audit Staff Home>New Investigation Case
690	28333	10/14/2013	10/23/2013	1-Fatal	Closed	Unable to set up El'lise Bethel User Id
691	28334	10/14/2013	01/07/2014	1-Fatal	Closed	4 large scanners all have database errors

Source: Deloitte File DC0000543 Closed Defect Tab, November 3, 2014

The spreadsheet also identified 142 High impact (Severe) defects that had been identified prior to October 15, 2013 and not closed prior to Go-Live. In summary, the 11 Critical (Fatal) defects identified exceeded the “zero” tolerance contract provision and the 142 High impact (Severe) defects exceeded the 25-limit allowed per Amendment 13.

On October 31, 2014, Deloitte published their *Weekly Florida CONNECT Status Report – Post Go Live Operations*. The report contains a graph of defects by Severity Trend, reproduced in Figure 50, that covers a period from October 20, 2013 through September 28, 2014. The graph shows that Fatal defects (in blue) were detected after Go-Live and reported a significant drop November 10, 2013. The Severe defects (in amber, red) noted in the graph also reported a decrease November 17, 2013.



Source: Deloitte Weekly Post Go Live Status Report, October 31, 2014

In an interview Samani was asked why there was a significant decrease in the total percentage of new Fatal and Severe defects in November 2013, from 75% to below 25% of all defects. He stated could not recall the specific reason.

On November 21, 2013, DEO and Deloitte executed Amendment 14. One provision of the amendment extended the DDI Performance Period until resolution of 102 specifically identified High impact defects. In contradiction to the contract provisions in Amendment 13<sup>85</sup> (shown in Figure 48), Amendment 14 allowed Deloitte to enter the one-year Warranty Performance Period with 102 High impact defects, exceeding the 25 allowed. (See Figure 51.)

**Figure 51: Excerpt from ESC Status Report**

**Amendment 14**

- In addition to the \$1.5M financial restitution, in Amendment 14 DEO identified 102 known Operational Gaps (Issues) across all programmatic areas that needed to be closed by December 20

Source: ESC Project Status Report, January 8, 2014

<sup>85</sup> Amendment 13 was executed prior to the Go-Live date of October 15, 2013; Amendment 14 was executed after.



## Issue 6: Post Go-Live Code Review and External Audits Reported Significant Issues

We determined the post Go-Live CONNECT system was still hampered with issues reflected in the subsequent code review and external audits. The code review performed during the Warranty Performance Period identified 51 total key findings, 25 risks and issues, and 37 recommendations. The State of Florida Auditor General issued three operational and performance audits of the CONNECT system, between 2015 and 2019. The 2015 report identified 31 findings, over half of which were still unresolved as of the 2019 report. A fourth operational audit, completed in 2021 and not yet finalized, identifies 14 issues still outstanding.

### Capgemini Assessment

On January 14, 2014, DEO authorized<sup>86</sup> Capgemini Government Solutions to compile an assessment and report on the overall system health and quality of the following CONNECT functional areas: Claims processing and contact center; Adjudication; Appeals; Benefit payment control; and, Central intake/central office.

From January 22, 2014 to February 14, 2014, Capgemini conducted interviews with 29 individuals comprised of CONNECT staff users, contractors, and DEO management. Capgemini issued a final report of 25 Key Findings on March 28, 2014. Capgemini reported:

*While our initial key findings showed that the CONNECT system, after its launch, did not meet the desired functionality expected by DEO staff and claimants, the current system health and quality of CONNECT has greatly improved.*

Capgemini also provided the results of a code review and testing process assessment. Four Key Findings and Recommendations for remediating the documented CONNECT issues and defects were reported:

- *Per Capgemini's initial findings, modifications to address software defects are being released into production on a weekly basis, primarily relying on "unit testing" and "smoke<sup>87</sup>testing". However, DEO should consider incorporating a structured and separate "regression testing". This is advisable to validate that functionality that was operating correctly has not been compromised by changes introduced in new releases. NOTE: DEO reported that regression testing is being performed as part of smoke testing. However, Capgemini advises that combining these two tests is not considered to be a leading practice. To address this concern, Capgemini*

<sup>86</sup> Purchase order A97A4D Dated January 14, 2014.

<sup>87</sup> A preliminary software test to determine if the software should be subjected to further, more fine-grained testing.

*suggests establishing a separate Quality Assurance Center that performs regression testing on a full-time basis.*

- *An initial key finding was that the adjudication of claims was queued, with a recent reduction being attributable to the increase of adjudicator staff and system efficiencies to date. Initial causes pointed to a combination of new business rules, adjudication work process issues/workarounds, and system deficiencies. To address the current CONNECT system business logic and processes, Capgemini suggests establishing a new business process review panel to evaluate and implement business process and systems improvements.*
- *To address system defects/issues more effectively, Capgemini suggests that DEO and Deloitte increase the visibility of the defect database (which is currently tracked inside ALM, which does not have widespread visibility). Each defect would indicate the impact, criticality, and required timeframe for implementation, and would allow each Deloitte and DEO stakeholder to track the status of each defect/issue. As some of the testing is currently done on specific local computing machines, a centralized environment would greatly enhance the traceability, visibility, and validation of resolved defects. The results of our code assessment indicate that certain parts of the coding should be revisited to enhance its quality. As a matter of priority, especially taking into account the eventual handover of the code to DEO, associated documentation needs to be improved.*

### Code Review Results

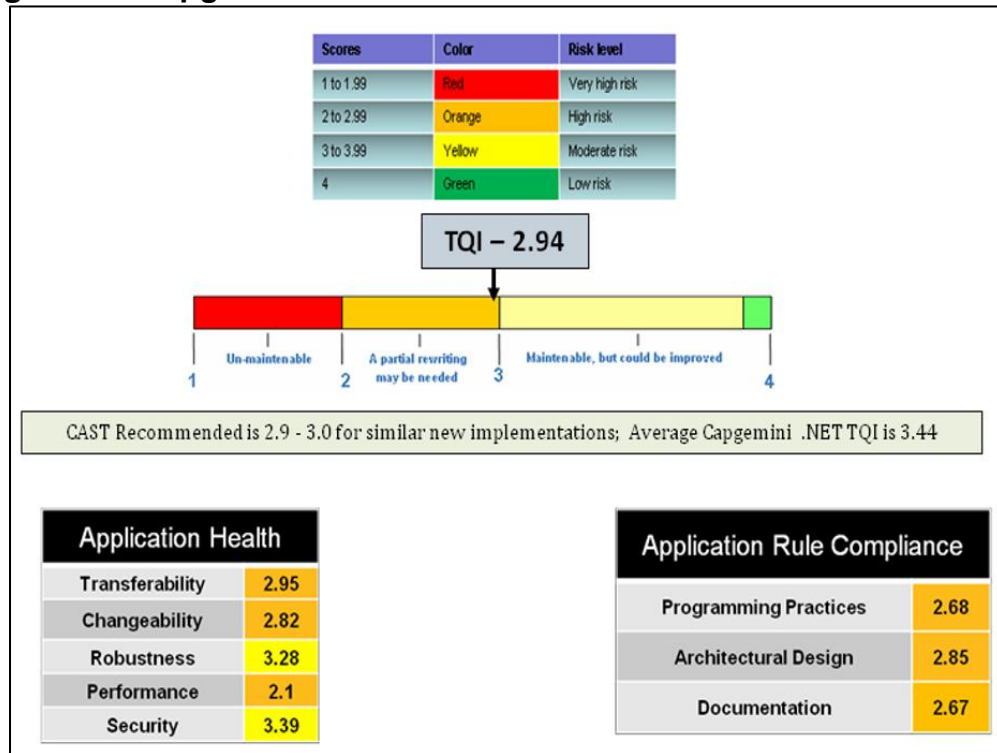
Capgemini reported they analyzed the CONNECT code using the CAST Application Intelligence Platform<sup>88</sup> methodology and tooling. According to the report, the CAST quality model takes the following health factors and rules into account:

- *Performance - Potential bottlenecks and scalability issues*
- *Robustness - Risk of failure, difficulty to test*
- *Security - Likelihood of breaches*
- *Transferability - Ease of moving code among team members*
- *Changeability - Ease of modifying, implementing new features*
- *Maintainability - General measure of ease to maintain*
- *Programming practices - Generic leading practices like complexity, error and exception handling, etc.*
- *Architecture design - Generic leading practices like architecture reuse, object level dependencies, multi-layer and data access.*
- *Documentation - Level of comments in the application (e.g., undocumented artifacts, comment/code ratio)*
- *Technical Quality Index (TQI) – Master indicator of the application quality*

<sup>88</sup> CAST Application Intelligence Platform is an automated system for measuring the quality of applications.

CAST grades the application uniformly and consistently across all the health factors and rules on a scale of 1 to 4 (4 being the best score). Capgemini reported that the CAST analysis tool was run on the entire codebase and database objects resulting in a **TQI score of 2.94**. Capgemini recommended a partial re-writing of specific code. A visualized presentation of the score reported a breakdown of application health and application rule compliance. (See Figure 52.)

**Figure 52: Capgemini’s Visual Presentation of CONNECT Assessment**



Source: March 28, 2014 Capgemini Management and Technical Assessment Report

The code review detailed results provided by Capgemini included 51 key findings, 25 risk/issues, and 37 recommendations. (See Figure 53.)

**Figure 53: Summary of Code Review Results**

Description	# of Key Findings	# of Risk / Issues	# of Recommendations
<b>CONNECT Application Architecture Layer:</b>			
User Interface	12	5	7
Interface Provider/Proxy	5	2	2
Service	4	2	3
Business Logic Layer	6	4	6
Business Entities	5	4	4
Database	7	3	5
<b>Other Test/Review Details:</b>			
Application Logging and Exception Handling	4	3	3
Unit Testing	3	2	5
Source Control, Build and Deployment	5	3	2
<b>Total</b>	<b>51</b>	<b>25</b>	<b>37</b>

Source: March 28, 2014 Capgemini Management and Technical Assessment Report

The following are excerpts from the report’s recommendations:

- *The Code review process should be rigorously followed to minimize violation of coding standards.*
- *All design documents should be updated as a matter of priority. This will help for future reference especially during the Application Maintenance phase.*
- *Design documents should be updated with logic which is written.*
- *Code review process should be in place to remove duplicate code and adhere to coding standards.*
- *Unit tests could be (re)written for all areas of application functionality and at every layer, including positive and negative scenarios.*
- *A benchmark could be defined for code coverage. It is advisable that at least 60-80% of line of code should be covered with unit test cases.*

**Florida Auditor General Audits**

The State of Florida Auditor General issued three operational and performance audits of the CONNECT system, between 2015 and 2019. Summaries<sup>89</sup> of findings from each of these audits are provided below.

<sup>89</sup> Complete reports can be accessed at [www.flauditor.gov](http://www.flauditor.gov).

**Auditor General Report No. 2015-107 – Issued February 2015**

This 45-page report has 31 findings. This audit report shows that there were areas for improvement with the CONNECT system as follows:

Application Design Documentation - The Department had not maintained high-level business process flows for the CONNECT application since 2010 to reflect the current state of overall design. (Finding 1)

Input Controls - Control deficiencies related to selected input controls for social security numbers and other personal identifiable information in CONNECT and data edits, input forms, document reviews, verification controls and review of manual overrides. (Findings 2 and 9)

Processing Controls - Control deficiencies related to selected processing controls applicable to the monitoring of claim activity, timely automated claims notices, automated generation of claim issues, and system usability. (Findings 10 through 13)

Output Controls - Control deficiencies related to selected CONNECT output controls applicable to reports and interfaces, online screens and reports, and reconciliation controls. (Findings 14 through 16)

Data Integrity Controls - Selected automated and manual control deficiencies related to incorrect overpayments and charges, date and count calculations, and data fixes used to correct issues with CONNECT data caused by such control deficiencies. (Findings 17 through 19)

User Documentation - The ability for employers to file appeals through CONNECT for nonmonetary determinations that do not address charges was not functional. (Finding 20)

Logging, Monitoring, and Review - Control deficiencies applicable to logging, monitoring, and review controls related for the verification of manually entered data, the completeness and accuracy of transaction logs, and the independence of the Reemployment Assistance Program claim quality review function. (Finding 21 through 23)

Security Controls - Control deficiencies applicable to selected CONNECT security controls related to access control procedures, the periodic review of access privileges, the appropriateness and timely deactivation of access privileges, claim issue and workflow assignments, and other security controls related to user authentication and logging. (Finding 24 and 29)

System Development and Configuration Controls - Control deficiencies applicable to selected controls related to program and configuration changes and data conversion reconciliations. (Findings 30 and 31)

**Auditor General Report No. 2017-039 – Issued November 2016**

This report contains 22 findings, all of which are previously reported in Auditor General Report No. 2015-017. Findings 3, 5, 8, 14, 20, 21, 23, 27, and 28 did not carry over from the previous audit report. No new findings were noted.

**Auditor General Report No. 2019-183 – Issued March 2019**

This report cites a total of 17 findings, all of which are repeated from Auditor General Report No. 2017-039. Findings 7, 8, 14, 15, 16, and 20 did not carry over from the previous audit report. No new findings were noted.

**A new Auditor General Report is scheduled to be released in late March 2021.**

DRAFT



## Recommendations

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The Florida Digital Service (FDS) was established in 2020 under the leadership of Governor DeSantis and the Florida Legislature to better leverage technology and support a data-driven government with a customer focus.<sup>90</sup> FDS objectives include cyber-security, cloud-ready architecture, data interoperability, and agile methodologies which would help ensure successful outcomes of large-scale Information Technology projects. Additionally, after the start of the CONNECT project, the Department of Management Services (DMS) developed a State Term Contract solely for Independent Verification & Validation (IV&V) services. Previously, IV&V was an optional service procured under Information Technology Consulting State Term Contracts.

Based on our review, we offer the following recommendations:

### **Agencies should know what they want**

- Fully document future IT system capacity requirements and expected utilization in system testing plans and test results.
- Assess the proposed level of maturity of any state transfer or commercial off-the-shelf system relied upon for risk and properly document the risk during contract negotiations with the selected contractor.

### **Agencies should better monitor what they are getting from the vendor and build in an escape plan and financial penalties for noncompliance**

- Ensure that a detailed contractor staffing schedule is submitted by the vendor with the ITN proposal and updated prior to contract execution.
- Ensure an independent code review is performed, scored, and reviewed throughout the lifecycle of the project. Establish a minimum code review score that must be met prior to Go-live and final acceptance of the project.
- Strengthen contract language to include financial penalties for noncompliance with contract provisions and schedules.

### **IV&V should be independent and rigorous**

- Ensure the IV&V vendor is independent of the project management team and reports to the appropriate executive management level within the agency or to an external oversight body.

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<sup>90</sup> Effective July 1, 2020 Senate Bill 1870 – Technology Innovation. Established Florida Digital Service within the Department of Management Services.

- Consider the transfer of the management of IV&V services from individual state agencies to FDS.

### **Project Management should be flat and agile**

- Ensure that governance structures for large IT projects are established to empower the Project Director to approve contract time and change order requests up to a designated threshold to reduce delays to the project.
- Streamline overlapping responsibilities of multiple project committees.
- Properly resource IT projects with internal and external dedicated Subject Matter Experts prior to contract execution.
- Consider more modular IT projects to accommodate future and rapid technological changes and shorter system lifecycles. The speed at which technology increases, which leads to systems being outdated much faster. The State should not expect a system to last as long as the legacy system, which was for 40+ years in this case.

### **Administrative and physical infrastructure needs to be strengthened**

- The Agency Head and CIO should implement an effective process to track, review, report, and resolve internal and external IT audit related findings.
- Review and update the System Disaster Preparedness Plan to incorporate lessons learned from the COVID-19 pandemic.
- Consider moving the future CONNECT system to the Cloud to allow for greater scalability.

**Attachment 1 – EY and North Highland Project Status Reports Comparison**

EY - IV&V Analysis of Management Assessment Reports July 2010 to October 2013						Key Project Activities	North Highland's Project Health Trend
Month	# of Grey Factors	# of Red Factors	# of Yellow Factors	# of Green Factors	Total Factors		
July-10	5	0	7	15	27		
August-10	5	0	6	16	27		
September-10	5	0	6	16	27		
October-10	5	0	6	16	27		
November-10	5	0	7	15	27		
December-10	5	0	5	17	27		
January-11	5	0	0	22	27		
February-11	5	0	0	22	27		
March-11	5	0	0	22	27	Deloitte starts	
April-11	5	0	0	22	27		
May-11	5	0	1	21	27		
June-11	5	0	1	21	27		
July-11	5	0	0	22	27		
August-11	5	0	1	21	27	Deloitte staffing issue	
September-11	4	0	1	22	27		
October-11	4	0	0	23	27		
November-11	3	0	0	24	27		
December-11	3	0	0	24	27		
January-12	3	0	0	24	27		
February-12	3	0	2	22	27		
March-12	3	2	0	22	27		
April-12	3	2	0	22	27	1st Month of NH reporting	
May-12	3	2	0	22	27		
June-12	3	0	3	21	27	Notice of Intent to Terminate	
July-12	2	0	0	25	27	Amendment 7	
August-12	2	0	0	25	27		
September-12	2	0	0	25	27		
October-12	2	0	0	25	27		
November-12	2	0	0	25	27		
December-12	2	0	0	25	27		
January-13	2	0	0	25	27		
February-13						No MAR required by DEO	
March-13	2	0	0	25	27		
April-13						No MAR required by DEO	
May-13	2	0	0	25	27		
June-13						No MAR required by DEO	
July-13	2	0	0	25	27		
August-13						No MAR required by DEO	
September-13	0	0	0	27	27		
October-13						Go-Live October 15, 2013	
Total	122	6	46	771	945		

Source: Prepared by Audit Team with Data Retrieved from EY and North Highland Assessment Reports

**Rick Scott**  
GOVERNOR



**Jesse Panuccio**  
EXECUTIVE DIRECTOR

July 30, 2014

*Sent via Email and US Mail*

William A. Barrett, Esq.  
Associate General Counsel  
Ernst & Young LLP  
5 Times Square  
New York, NY 10036  
William.Barrett1@ey.com

**RE: Relevant Contractual Provisions**

Dear Mr. Barrett:

Thank you for meeting with us on Thursday, July 24, 2014. As promised, we are providing you with contractual provisions that the Department of Economic Opportunity (DEO) believes create potential liability for Ernst & Young (EY) in its role of providing independent verification and validation (IV&V) services on Project Connect. Below is a brief background of the relationship between EY and DEO, a summary of the enclosed contractual provisions, and brief description of potential liability.

DEO selected EY as the vendor to provide IV&V services for Project Connect. EY was responsible for presenting DEO with an independent, third-party opinion on the health and status of the project. Almost immediately after Go-Live, Project Connect experienced several high-impact defects. EY is potentially liable for damages to DEO due to its failure to identify and warn of issues with Project Connect.

We believe the following contractual<sup>1</sup> provisions and quotes from reports create potential liability for EY:

1. Each provision referenced below is from the scope of work found in 10-RFQ-002-SS.
  - a. EY substantially failed to accurately "[ensure] the quality and success of the UC Modernization Phase 2 and 3..." See Attachment A.
  - b. EY substantially failed to accurately "identify the major project risks..." See Attachment B.
  - c. EY failed to "identify any significant scope changes that might impact project...quality." See Attachment B.
  - d. EY failed generate a special communication "when the IV&V Contractor determines that circumstances exist that put the scope, budget, or viability of the project at significant

1. The entire agreement is composed of six purchase orders (beginning in June of 2010 and ending in February of 2014) and also incorporates the request for proposal (10-RFQ-002-SS), EY's proposal, and state term contract number 973-561-10-1.

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[Robert.Sechen@deo.myflorida.com](mailto:Robert.Sechen@deo.myflorida.com) | [www.FloridaJobs.org](http://www.FloridaJobs.org) | [www.twitter.com/FLDEO](http://www.twitter.com/FLDEO) | [www.facebook.com/FLDEO](http://www.facebook.com/FLDEO)  
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Page 2 of 2

risk. These circumstances may involve issues of project structure, governance, or management. The special communication is expected as part of the IV&V Contractor's due diligence to provide AWI prompt notification of such significant circumstances." See Attachment C.

- e. EY substantially failed to accurately "review the Phase 2 Business Analysis and Re-engineering work products and the Requirements Definition Document." See Attachment D.
  - f. EY substantially failed to accurately "review the use cases deliverable for all identified "to-be" business processes in preparation for system requirements gathering." See Attachment D.
  - g. EY substantially failed to accurately "review the system requirements deliverable that will consist of all functional and non-functional requirements for the UC system." See Attachment D.
  - h. EY substantially failed to accurately "review the high-level proposed architecture for the future UC system and the high-level conceptual data model." See Attachment E.
  - i. EY substantially failed to accurately "review the Phase 3 requirements validation deliverable." See Attachment E.
  - j. EY substantially failed to accurately "review the processes and procedures related to unit, system, and user acceptance testing, as well as data migration." See Attachment F.
  - k. EY substantially failed to accurately "review the results of unit and system testing, as well as the data migration test results." See Attachment E.
2. The following quotes are found in the October 2013 Deliverable Review Report and the final monthly report.
- a. EY advised that "[t]here are currently no deficiencies with the PC implementation deliverables that might impact the project's quality, timeline and scope." See Attachment F.
  - b. EY advised that, "[o]verall IV&V risk state for the project is Green (no issues)." See Attachment G.

EY's failure to conform to the above provisions create potential liability under theories of breach of contract, negligent misrepresentation, breach of fiduciary duty, and professional malpractice. DEO appreciates your consideration of the enclosed contractual provisions and anticipates working through these issues without the need for litigation. We look forward to your response.

Sincerely,



Robert N. Sechen  
General Counsel  
Department of Economic Opportunity

cc Mike Shaklik



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WILLIAM A. BARRETT  
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Direct: 212-773-9177  
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william.barrett1@ey.com

*Via U.S. Mail  
& E-mail (Robert.Sechen@deo.myflorida.com)*

September 26, 2014

Robert N. Sechen  
General Counsel  
Florida Department of Economic Opportunity  
The Caldwell Building  
107 E. Madison Street  
Tallahassee, Florida 32399-4120

*Re: Florida Department of Economic Opportunity*

Dear Mr. Sechen:

Thank you for your letters of July 30, 2014 and September 16, 2014. As you know, in 2009 EY contracted with the State of Florida through the Department of Management Services, Division of State Purchasing to provide Information and Technology Services (the "Contract"). Part of the work involved program risk management services in connection with the implementation of an unemployment compensation system (the "System"). The Contract was later transferred to the Florida Department of Economic Opportunity (DEO). EY provided services under the Contract from October 2009 through September 2013. EY was one of several contractors providing services in connection the System, which was ultimately developed and implemented by another contractor. We understand that the System went live in October 2013, and that after going live certain problems with the System were identified. To date, however, EY is neither aware of the specific "problems" relating to the System after it went live, nor what, if any, corrective measures were taken.

At the DEO's request, on July 24, 2014 representatives from EY and the DEO met in Tallahassee, during which the DEO expressed general concerns about EY's performance under the Contract. EY requested more specificity in order to appropriately assess the DEO's concerns. In a letter dated July 30, 2014, you outlined various "contractual provisions and quotes" the DEO believes "create potential liability for EY."





Robert N. Sechen

Page 2  
September 26, 2014

Given the information provided, EY has considered the concerns raised during the July 24<sup>th</sup> meeting and your July 30<sup>th</sup> letter. Among other things, we have conducted a diligent review of documents in support of our work under the Contract and the manner and extent the work was carried out. We have also discussed EY's performance both internally as well as with individuals EY interacted with who served on behalf of the DEO during the course of the work. Based on the results of this review, we remain confident that EY fully satisfied its obligations under the Contract and met the appropriate professional standards in performing work under the Contract.

Notwithstanding the above, we continue to value our professional relationship with the State of Florida and the DEO, in particular. If it would be helpful to have a follow-up meeting to discuss EY's performance under the Contract and address the DEO's concerns in greater detail, we are willing to do so at a mutually convenient time. However, for a future meeting to be productive it is imperative that representatives of EY and DEO who are familiar with EY's work under the Contract be present at the meeting.

Please don't hesitate to contact me should you wish to discuss further. Thanks.

Sincerely,

William A. Barrett

**Attachment 4 – Supplement to Former Secretary Satter Interview<sup>91</sup> Page 1 of 2**

March 15, 2020 – Governor DeSantis suspended work registration and job search requirements for Floridians filing a Reemployment Assistance application.

March 17, 2020 – CONNECT system becomes unavailable due to extremely high volume of users.

March 31, 2020 – Governor Ron DeSantis suspended the one week waiting week period required to apply for Reemployment Assistance.

March 31, 2020 – DEO made paper applications available as another way to file a claim.

March 31, 2020 – Created a Chatbot at FloridaJobs.org for Floridians to quickly get answers to Frequently Asked Questions.

April 2, 2020 – Issued request for state employees to volunteer to process applications. Employees stepped up and over 2,000 additional state employees are processing applications.

April 4, 2020 – Added 72 new servers to the CONNECT system which reportedly increased response time.

April 6, 2020 – Worked with CareerSource Florida and local governments to offer additional areas to pick up and submit paper applications.

April 7, 2020 – Announced arrangement with FedEx to offer free printing and sending of paper applications.

April 8, 2020 – Launched Reemployment Assistance mobile-friendly application as a faster option for Floridians to file a claim.

April 15, 2020 – Secretary Satter begins overseeing all COVID-19 related activities at DEO.

April 16, 2020 – Governor Ron DeSantis issued an executive order to suspend bi-weekly recertification requirements. (changed the order)

April 17, 2020 – DEO added a new Storage Area Network system, which improved processing speeds from 300/mb/s to over 3,000 mb/s.

April 20, 2020 – Technologist across state government began assisting more than 50 DEO technology personnel.

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<sup>91</sup> Source: Former Secretary Satter, Department of Management Services

**Attachment 4 – Supplement to Former Secretary Satter Interview** **Page 2 of 2**

April 20, 2020 – Launched a new Reemployment Assistance Dashboard for enhanced transparency on claim processing.

April 20, 2020 – Hired and trained 500 additional call center staff to assist with processing claims.

April 20, 2020 – Trained 200 additional staff to reset PINs.

April 21, 2020 – Partnered with Florida State University to utilize on-campus facilities to sort, open, and scan paper applications arriving by mail.

April 24, 2020 – Partnered with Florida Highway Safety and Motor Vehicles to complete identity verification of social security numbers of Floridians applying for credentials through the Social Security Administration.

April 25, 2020 – Added an additional 300 call center employees. In total, there were 5 call centers operational.

April 26, 2020 – DEO announced Florida state employees processed more than 100,000 paper applications.

April 29, 2020 – DEO launched Pandemic Unemployment Assistance claim application.

April 29, 2020 – Governor Ron DeSantis announces Phase 1 of Florida's Safe, Smart, Step-by-Step Plan to Re-open Florida.

May 1, 2020 – DEO extends waiver for work search requirements to May 9, 2020.

May 1, 2020 – Unveiled an option for Floridians to adjust the date they originally tried to apply but may have been unable to through no fault of their own.

Rick Scott  
GOVERNOR



Cynthia R. Lorenzo  
INTERIM EXECUTIVE DIRECTOR

February 23, 2012

David Minkkinen, Principal  
Deloitte Consulting LLP  
50 South 6th Street, Suite 2800  
Minneapolis, MN 55402

RE: Project Connect  
DEO Contract CO369  
Corrective Action Plan

Dear Mr. Minkkinen:

Pursuant to special condition 10 of the referenced contract for Design, Development and Implementation of the Unemployment Compensation Claims and Benefits Information System (Contract), the Department of Economic Opportunity (Department) hereby notifies Deloitte Consulting LLP (Deloitte) of the need to submit a corrective action plan (CAP) within ten days of receipt of this notice.

The Department requests the CAP because project deficiencies appear of significant magnitude to impede implementation of the Project. We have discussed these deficiencies, which include:

- Deloitte did not meet the scheduled completion dates for Contractual Design Interim Gates 1, 2 and 3 or the Design Phase Gate. As a result of this delay, Deloitte is at risk to miss all subsequent contractual Phase Gates.
- Deloitte underestimated the work effort required to accomplish the scope of work for the Design Phase, which casts doubt on estimates for all subsequent Phases of the project.
- Deloitte's proposed schedules to overcome Design Phase Gate delay are insufficient because:
  - The Development Schedule and Integrated Master Schedule (IMS) do not appear to be work-effort driven nor fully resource loaded and leveled.
  - The Development Schedule's WBS numbering scheme does not align to the IMS.
  - Deliverable submittal and review tasks are not consistent with the Contract and Project Management Plan.
  - Incorrect critical path does not allow visibility to overall schedule impacts due to task/activity delay.
  - Long durations to many tasks limit ability to track progress on a weekly or biweekly basis
- Deloitte has not demonstrated Quality Assurance Review of each deliverable prior to its submission to the Department, resulting in many of the deliverables being rejected.
- Siva Sambasivam, Deloitte's Technical Lead and "key personnel" per Contract SOW section 7.8, has been on site only four days since project inception. This has caused increasing risk to the project as we progress through the Development Phase.

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Mr. David Minkkinen  
February 23, 2012  
Page 2 of 2

Deloitte's CAP should, at a minimum:

- Address any open issues preventing the achievement of the Design Phase Gate, and provide a reasonable estimated phase completion date.
- Summarize strategies to avoid future delays so problems experienced during the Design Phase will not be repeated.
- Include a revised Integrated Master Schedule that restores the project back to the schedule, cost, and risk profile that was agreed to in the Contract. This revised project plan should conform to the structure of the approved project plan Deloitte utilizes currently.
- Include a detailed fully resource loaded Development schedule (including testing), Data Conversion schedule and consolidated (from Unit to User Acceptance Test) Testing plan.
- Include first level of detail to the User Acceptance Testing, Training, and Implementation schedules.
- Recommend any updates to the Project Management Plan, including updated resource management plan, and related Deliverable Expectation Documents, that Deloitte believes are required to address any deficiencies.
- Provide detailed assumptions, constraints, risks and/or issues, and benefits of the proposed CAP.

This request for, or subsequent acceptance of, a CAP does not, in any way, serve to relieve Deloitte of its responsibility to meet project schedule dates, to provide associated deliverables, or to comply with any other Contract requirement. Additionally, the CAP process does not entitle Deloitte to receive, or obligate the Department to provide, additional compensation for implementation of corrective actions.

Due to the nature of the deficiencies identified in this notice, the Department may determine that it is in the State's best interest to suspend work on deliverables associated with Development Phase contractual payment milestones. The decision about whether to suspend work will be made as part of the comprehensive project health status check upon completion of the Design Phase Gate.

The Department stands ready to work with you to cure Deloitte's deficiencies on the project in a timely manner, so we can all regain confidence that the project will provide the critical benefits that Florida's Unemployment Compensation System requires.

Sincerely,



Tom McCullion  
Project Director



Rick Scott  
GOVERNOR



Hunting F. Deutsch  
EXECUTIVE DIRECTOR

June 15, 2012

John Hugill, Principal  
Deloitte Consulting LLP  
1203 Governors Square Blvd.  
Suite 400  
Tallahassee, FL 32301

RE: UC Solution, Contract C0369  
Notice of Intent to Terminate

Dear Mr. Hugill:

Pursuant to contract general condition 23, as supplemented by special condition 10, the Department of Economic Opportunity (Department) hereby notifies Deloitte Consulting, LLP (Deloitte) of the Department's intent to terminate the referenced contract for cause.

The Department and Deloitte have had detailed discussions since last year, when it became apparent that Deloitte would not meet the December 16, 2011, interim schedule milestone for completion of the design phase gate. The parties have also exchanged numerous writings, including the Department's request for a corrective action plan (CAP) dated February 23, 2012, Deloitte's final CAP response dated June 8, 2012, and the Department's rejection of the CAP dated June 13, 2012.

The contract requires completion of the implementation phase (go-live) in December 2012. Currently, Deloitte anticipates a go-live date of October 2013. This currently-estimated ten-month delay is more than the parties bargained for. Moreover, it is apparent that the go-live date will be even later, because the Department has rejected the final design deliverables submitted on May 23, 2012, and the CAP.

Deloitte promised that the uFACTS solution, with modifications, would meet the business needs specified in the contractual Requirements Definition Document. The struggles during the design phase have cast the solution into doubt. Furthermore, Deloitte's demonstrated inability to implement the solution in other jurisdictions has undermined the Department's confidence that Deloitte will successfully complete the implementation phase in Florida. The Department contracted for a viable, proven solution. It now appears that the Department is being asked to fund a software development project with limited prospects for success.

As noted in the contract, Rule 60A-1.006 governs the procedure and consequences of default. This letter serves as the initial notice of the Department's intended action. The Department will take the next step in the process unless, within 30 days from the date of this letter, Deloitte cures its failures and demonstrates to the Department the reasonable likelihood of successful,

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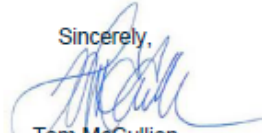
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John Hugill  
June 15, 2012  
Page 2 of 2

timely, project completion. If Deloitte fails to do so, the Department will issue a second notice finding Deloitte in default and removing Deloitte from the Department's approved vendor list. Before the Department's decision becomes final agency action, Deloitte will have an opportunity to petition for an administrative hearing pursuant to section 120.57, Florida Statutes.

Sincerely,



Tom McCullion  
Project Director

cc: Jessica Blume  
Kevin McCarter  
Travelers Casualty and Surety Company of America (Bond No. 105578433)

**Attachment 7 – Entity Response**

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DRAFT



### **Statement of Accordance**

This review was conducted in accordance with applicable Principles and Standards for Offices of Inspectors General as published by the Association of Inspectors General.

Please address all inquiries regarding this report to the Office of the Chief Inspector General at (850) 717-9264.